Financial Reporting Bulletin

March 2000

• *Office of Thrift Supervision* •

• Office of Research and Analysis • Financial Reporting Division •

1700 G Street, N.W., Washington, DC 20552

TFR DEADLINE <u>MONDAY, MAY 1, 2000</u>

CMR DEADLINE <u>MONDAY, MAY 15, 2000</u>

It is important that you read this bulletin and the attached materials before submitting your March TFR.

UPDATED MARCH SOFTWARE

By the end of March all report preparers should receive the March 2000 electronic filing software update from DPSC, Inc. You must install the March version of the software <u>prior</u> to transmitting your March 2000 TFR. The updated version contains several enhancements requested by the industry at our training sessions held last September in Dallas, Texas and several revised or new TFR and CMR edits. The March 2000 software contains changes to several input screens that will reduce clutter and enhance readability. We are including with the software a correction to Appendix B of the users manual.

MARCH 2000 TFR FORM

<u>There are no changes to the TFR form for March 2000.</u>

FIRST QUARTER REGULATORY REPORTS

Report preparers should complete and transmit the March 2000 TFR as soon as possible after the close of the quarter. All schedules except CMR are due no later than Monday, May 1, 2000. Schedule CMR is due no later than Monday, May 15. ***Savings institutions that are exempt from filing Schedule CMR but choose to voluntarily file <u>must</u> follow the same filing deadlines as those institutions that are required to file. Institutions that fail to meet the filing deadline may not receive their interest rate risk reports for the quarter.*** Two days after transmitting CMR, voluntary filers should view their transmission log to determine if transmission was successful. If you do not have an acknowledgment of

The "Financial Reporting Bulletin" is published quarterly by the Financial Reporting Division of the Office of Thrift Supervision and distributed to all OTS regulated institutions. Its purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Comments and suggestions on this bulletin should be sent to Patrick G. Berbakos, Director, Financial Reporting Division, Office of Thrift Supervision, at the above address, or by e-mail to patrick.berbakos@ots.treas.gov.

transmission, contact Doris Jackson (972-281-2052 or doris.jackson@ots.treas.gov) to determine if OTS received your CMR filing.

Please remember to check your institution information, including: the name of the report preparer, telephone number, e-mail, and web site addresses, each time you submit a report. If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, Texas, or Trudy Reeves in Washington, DC, at 202-906-7317. If you have a problem with the electronic filing software or transmission, call Cheyann Houts at 972-281-2412 or Doris Jackson at 972-281-2052. If you need additional copies of the TFR form or instruction manual, call 202-906-6078, send an e-mail to tfr.instructions@ots.treas.gov, or obtain them from the OTS web site at www.ots.treas.gov/ tfrpage.html.

MARCH 2000 CHANGES TO THE TFR INSTRUCTION MANUAL

Attached are 50 pages of the TFR Instruction Manual which have been updated for March 2000. All updated pages are dated March 2000, and revisions are indicated by a bar in the right margin. The changes are as follows:

Pages 1 through 4, General Instructions – Clarified existing instructions and made various editorial changes.

Page 6, SC130, U.S. Government and Agency Securities – Moved U.S. government and agency securities pledged as collateral on margin accounts from SC690 (Other Assets) to SC130.

Page 7, SC150, Mortgage Derivative Securities – Clarified that securitized residual interests of mortgage derivatives are included in SC150, and clarified that securities collateralized by nonmortgage assets are not included on SC150.

Page 8, SC185, Other Investment Securities – Clarified that securitized residual interests of nonmortgage loan securities are included in SC185.

Page 25, SC50, Equity Investments Not Subject to SFAS No. 115 – Clarified that when an investment accounted for using the equity method is reduced below zero, it should be reclassified as a liability, reported on SC796 (Other Liabilities and Deferred Income), and coded “08”.

Page 26, Servicing Assets – Corrected a reference to Schedule CCR.

Page 27, SC655, Interest-only Strip Receivables and Certain Other Instruments – Added that interest-only strips in security form may be reported on SC185 (Other Investment Securities) or SC150 (Mortgage Derivative Securities).

Page 29, Other Asset Codes – Added the following codes:

21 Bank-owned life insurance (BOLI)

22 Unapplied loan disbursements

23 Other residual interests in financial assets sold not appropriately reported elsewhere

Page 37, SC790, Deferred Income Taxes – Corrected a reference to an other asset code.

Page 47, SO280, Amortization of Deferred Losses (Gains) on Liability Hedges – Clarified that this line only applies to those institutions that have not yet adopted SFAS No. 133.

Page 47, SO290, Net Cost of Matched Interest Rate Swaps – Clarified that this line only applies to those institutions that have not yet adopted SFAS No. 133.

Page 50, SO467, 475, and 477, Sales of Assets – Clarified that the term “sales” may also include other dispositions.

Page 52, Other Noninterest Income Codes – Added the following code:

14 Income from interest-only strip receivables and certain other instruments reported on SC655

Page 53, SO520, Legal Expense – Clarified that accruals and amortization of legal expenses are included.

Page 55, Other Noninterest Expense Codes – Added the following code:

16 Web site expenses

Page 79, Schedule PD, General Instructions – Clarified that loans included in Schedule PD are those that are contractually past due.

Page 101, SI215, Non-interest-bearing Demand Deposits – Simplified the instructions for demand deposits.

Page 108, Qualified Thrift Lender Test – Added that QTL percentages exceeding the four digit field size limitation should be entered as 99.99%.

Page 117, SQ100, Mergers – Clarified that this item is to be checked “yes” only for mergers with other depository institutions and not for mergers into a holding company or with affiliates or subsidiaries that are not depository institutions.

Page 117, SQ110, Branch Purchases – Added that purchased deposits are to be reported on CF435.

Page 117, SQ130, Change in Control – Eliminated the reference to stock associations because there may be instances where mutual associations have a change in control.

Page 134, CSS120, Total Assets – Added that assets of subsidiaries that round to less than 1,000 should be entered as “1”.

Page 137, Schedule CCR General Instructions – Corrected the minimum core capital levels consistent with changes made to the regulations in 1999. The minimum ratio, as a percent of adjusted total assets is 3% for savings associations assigned a composite CAMELS rating of “1”, and 4% for all other savings associations.

Page 147, Schedule CCR Tier 2 (Supplementary) Capital – Added to the general discussion of tier 2 capital the addition of up to 45% of pretax unrealized gains, net of unrealized losses, on available-for-sale equity securities.

Page 148, CCR302, Unrealized Gains on Available-for-Sale Equity Securities – Added that all of the unrealized gains, net of unrealized losses, must be included in risk-weighted assets when 45% of the gains are included in tier 2 capital.

Page 156, CCR430, High-qualify MBS – Corrected a regulatory citation and clarified that REMICs meeting the high-qualify MBS definition are included on CCR430.

Page 160, CCR480, 50% Risk Weight – Updated information on qualifying residential construction loans to be consistent with current regulations.

Page 190, CMR293, Weighted Average Remaining Maturity (WARM) – Clarified that you should calculate the WARM using the lesser of the remaining maturity or the time to rate reset.

Page 223, Optional Commitments to Originate Mortgages – Clarified that an optional commitment: (1) locks in the interest rate to the institution and (2) provides an option to the borrower to decline.

DOS SOFTWARE DISCONTINUED

We would like to remind the remaining DOS electronic filing software users that we will cease production and support of the DOS version of the OTSReporter software beginning with the June 2000 filing cycle.

The March 2000 release of OTSReporter Windows will contain a utility to import your prior-cycle and Timesaver data from the DOS version. Minimum system requirements to run the OTSReporter Windows version are:

- Microsoft Windows version 3.1 or higher, Windows 95 or higher, or Windows NT
- 486-66 DX processor or higher
- Minimum 16 meg of RAM memory
- HP LaserJet, Ink Jet or compatible

If you have questions or problems installing or using the OTSReporter Windows version, you can call Cheyann Houts at 972-281-2412 or Doris Jackson at 972-281-2052, in the Dallas office of the Financial Reporting Division. System problems or questions should be directed to DPSC Technical Support at 800-825-3772.

TFR TRAINING IN SEPTEMBER

OTS will offer TFR training again this year in September at the OTS Midwest Region located in Dallas, Texas. The training is targeted specifically for employees who are directly responsible for preparing and transmitting regulatory reports. More information will be available in the June edition of the Financial Reporting Bulletin.

CHANGES TO THE TFR PROPOSED FOR SEPTEMBER 2000

On March 1, 2000, OTS published in the Federal Register a notice of proposal to make certain changes to the TFR effective with the September 2000 report.

The proposed changes are comprised of collection of additional information on: (1) high loan-to-value loans; (2) trust assets administered; (3) residual interests in financial assets sold; and (4) structured liabilities. The proposal also deletes asset maturity data in Schedule SI and margin accounts in Schedule CMR.

You can review the full Federal Register notice on our web site at http://www.ots.treas.gov/tfrpage.html.

SOFTWARE CORNER

DPSC will mail the March 2000 updated software by the end of March. If you do not receive your copy, please call Greg Gawthrop at DPSC, 800-825-3772, ext. 210.

We have added to the software several new features that should be helpful to you in preparing and transmitting your reports:

- “Go To” button on the edit check screen.

  This will take you directly to the line item that the edit is questioning.

- Option to import a previously transmitted usernote for the same edit check.

  Please note when using this feature, that although the reason for the edit check may remain the same from quarter to quarter, any numbers submitted with the explanation will need to be updated with each report.

- Option to enter a usernote after you enter Code 99 for Other Assets, Other Liabilities, Other Non-interest Income, and Other Non-interest Expense.

Before you transmit your report:

- Review and update all institution and report preparer information under the “Institution Info” option.
- Verify that your institution’s web-site address is entered correctly and that it includes the “http://www” if appropriate. The web-site address that you submit is posted as a link to your site on the OTS web site.

If you have trouble transmitting a report, try these quick tips before calling the OTS or DPSC:

- use a different baud rate from the drop-down list
- try a different phone number from the drop-down list
- try sending each report or message individually
- check your modem setup under the “Advanced” option on the transmission screen

Updated Software: DPSC maintains the current version of the electronic filing software on its web site. For instructions on downloading the software, contact DPSC Technical Support at 800-825-3772.

DEMAND DEPOSITS

In reviewing TFR data, we have discovered that many institutions maintain demand deposits that have not been reported on SI215. SI215 collects demand deposits as defined by FDIC Regulation 329 (12 CFR 329). Similarly, CMR771 collects non-interest-bearing, nonmaturity deposits. We have added an edit to the March software to remind report preparers to include demand deposits on SI215; namely, SI215 >= CMR771.

In many cases SI215 will be equal to CMR771. However, there are certain exceptions. Line SI215 captures non-interest-bearing demand deposits, while line CMR771 captures non-interest-bearing nonmaturity deposits and specifically excludes escrows. There may be circumstances where CMR771 correctly exceeds SI215, causing the edit check to occur. When there is a valid exception, you should provide your FRD analyst with an explanation via a user note.

Reporting CMR771:

- CMR771 should include all nonmaturity deposit accounts that are permanently non-interest-bearing.
- CMR771 may exceed SI215 if CMR771 includes non-interest-earning NOW or MMDA accounts that were contracted as non-interest-earning upon origination.
- CMR771 may exceed SI215 if CMR771 includes non-interest-earning savings accounts that are not escrows of the savings association.
- Do not include on CMR771 balances in nonmaturity deposits (for example, transaction accounts or MMDAs) that do not currently earn interest because they are below the contracted minimum balance required to earn interest.

Reporting SI215:

- Include demand deposits payable immediately on demand that are non-interest-bearing and have an original maturity or notice period of less than 7 days.
- Include escrow accounts reported on SC783 that meet the definition of demand deposits.
- Include outstanding checks drawn against zero-balance accounts (including those at Federal Home Loan Banks) that are reported on SC710.
- Include matured time deposits that do not have automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account.

- Do not include on SI215:
  - NOW accounts and other deposits that do not meet the definition of demand deposits.
  - Outstanding checks drawn against non-zero balance accounts not included in SC710.
  - Money market deposit accounts (MMDAs)
  - Amounts not included in SC710 or SC783, such as outstanding checks drawn against Federal Home loan Banks that are reported on SI239 and deposits of consolidated subsidiaries that have been eliminated in consolidation and are reported on SI243.

The escrows and deposits that qualify as demand deposits on SI215 are allotted a 16 2/3% float deduction before inclusion in the assessment base. Accordingly, institutions that fail to report required balances on SI215 will effectively increase their FDIC assessment exposure.

Questions & Answers

TFR Questions and Answers are on the OTS web site at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like to appear in this column or to which you would like an e-mail response, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 86

SUBJECT: LOAN-TO-VALUE (LTV)
LINE(S): Schedule CCR
Date: March 15, 2000

Question: *When reporting loans on Schedule CCR, if the loan meets all the criteria for 50% risk-weighting except the LTV, but we have a firm commitment to sell, must the loan be risk-weighted at 100% or are there any exceptions?*

Answer: If the LTV exceeds 80%, the loan must be risk-weighted at 100%. There are no exceptions for loans with a firm commitment to sell.

Q&A No. 87

SUBJECT: ACCRUED INTEREST PAYABLE ON DEPOSITS INCLUDED IN LIQUIDITY
LINE(S): SI500
DATE: March 15, 2000

Question: *Can accrued interest payable on deposits that has not been credited to the depositor's account be included in the liquidity base for calculation of the liquidity ratio? It is reported on SC763, Accrued Interest Payable - Deposits.*

Answer: Yes. It is helpful for thrifts to add accrued interest to the denominator as it lowers their liquidity ratio. Because the regulation specifies that associations should add accrued interest to the numerator, we consider it appropriate that the denominator be treated the same way. This would apply to deposits and borrowings.

Q&A No. 88

SUBJECT: COMMITMENTS ON CMR
LINE(S): CMR-OBS
DATE: March 15, 2000

Question: *According to the CMR instructions, a commitment is considered firm when there is a rate lock at the time of approval. If an institution sets the rate at "LIBOR + 3" at approval, is that a rate lock and therefore a firm commitment? On one hand, it would seem so, but the actual numerical rate won't be set until the loan is closed. But if it is a firm commitment, what do they use for the rate in column #4 when reporting the off-balance-sheet item?*

Answer: In the current CMR we don't consider this to be a reportable rate lock because the interest rate is free to change prior to the loan's closing. You should consider the commitment firm only if the rate is locked at a specified numerical level (e.g., 7.5%).

Q&A No. 89

SUBJECT: CALCULATION OF LTV RATIOS FOR SINGLE-FAMILY RESIDENTIAL MORTGAGES
LINE(S): CCR460 and CCR505
DATE: March 15, 2000

Question: *LTV ratios must be considered in determining whether or not single-family residential mortgage loans qualify for 50 % risk weighting on Schedule CCR. If an existing property is purchased at a price lower than the appraised value, which value should be used in the calculation of the LTV ratio? This distinction in the definition of "value" can be material for institutions that routinely grant loans in which purchase prices are significantly below the appraised values.*

Answer: The value used in the LTV ratio for risk-weighting purposes should be the lesser of the purchase price or the appraised value.

Q&A No. 90

SUBJECT: FLOATING RATE BALLOON NOTE
LINE(S): CMR
DATE: March 15, 2000

Question: *An institution has a first mortgage 1-4 family real estate loan that floats daily with Wall Street prime - not a true ARM - and is also a balloon note. Where is this reported on CMR?*

Answer: The mortgage should be reported in the current market index, "6 Month or Less" column. Because it's not indexed to Treasury, LIBOR, or COFI, the instructions on page 183 for reporting its margin apply. The WARM is based on the time until the balloon payment is due. The time until the next payment reset is based on how often the payment changes. (Even though the interest accrual rate changes daily, I assume the payment changes less frequently, say monthly.)

Q&A No. 91

SUBJECT: AVAILABLE-FOR-SALE LOANS
LINE(S): CMR
DATE: March 15, 2000

Question: *Can loans held for sale be reported in the 30 day repricing category in the appropriate CMR bucket? That is, can the "next reset" be said to be at the end of the next month since they are supposed to be priced to market each month until the sale date?*

Answer: No, assets must be reported according to their actual contractual characteristics, including interest rate reset date, not according to when the institution plans to sell it. While assets available for sale are reported on the balance sheet at fair value, on Schedule CMR we collect the amount of outstanding principal and need the actual contractual terms to estimate the market value of those assets in several different interest rate environments.

Q&A No. 92

SUBJECT: FIRM COMMITMENTS TO SELL MORTGAGE LOANS INCLUDED IN LIQUIDITY
LINE(S): SI500
DATE: March 15, 2000

Question: *Pursuant to OTS regulation 12 CFR 566.1(g)(13), mortgage loans described in 12 U.S.C. 1465(b)(1)(C)(vii) are liquid assets. This latter regulation describes the loans as mortgage loans on the security of first liens on residential real property that qualify as backing for mortgage-backed securities issued by FannieMae or FreddieMac or guaranteed by GinnieMae; and that have one year or less remaining until maturity, or are subject to an "agreement" (including a repurchase agreement, put option, right of redemption or takeout commitment) that requires purchase of the loans within one year by a capital compliant insured institution, primary dealer in U.S. securities, or registered broker or dealer.*

We have firm commitments, usually lasting only for a few months, to sell mortgage loans of the type that 12 U.S.C. 1465(b)(1)(C)(vii) describes. Are these firm commitments considered "agreements" under the cited U.S. code, thereby qualifying as liquid assets?

Answer: If the loans underlying the commitments are specific loans that are either existing on the institution's books or identified in the institution's pipeline as specific loans being processed, the firm commitments are considered "agreements" and would qualify as liquid assets. Firm commitments to sell mortgage loans that do not identify specific existing loans or specific loans in a pipeline are not "agreements" under the code.

Q&A No. 93

SUBJECT: FARM LOANS
LINE(S): SC250, SC260
DATE: March 15, 2000

Question: *The general instructions for real estate loans discuss the issue of the collateral having more than one use. When the collateral has a residence with more value than the remaining acreage, is this a farm loan or a residential loan in spite of any farming activity? Is there any "size" of acreage that would automatically make the loan a farm loan?*

Answer: There are no hard and fast rules on the definition of farm land. However, if the value of the home equals or exceeds the value of the remaining acreage, the loan may be classified as residential. There is no size of acreage that would automatically make the loan a farm loan.

Q&A No. 94

SUBJECT: CALLABLE CDS
LINE(S): CMR
DATE: March 15, 2000

Question: *A thrift offers a callable certificate of deposit product. The customer may hold the CD at a fixed rate for 5 years but the thrift may call the CD at anytime after 1 year. How is this reported on the CMR in terms of original and remaining maturity (CMR Section Fixed Rate Fixed Maturity Deposits)?*

Answer: The preferred way to report this CD is to report the maturity as 5 years and report the value of the call option in the Reporting of Market Value Estimates, in CMR942 through CMR948. However if you do not have the value of the call option, you can report the CD as fixed rate, fixed maturity with the call date as the maturity. Please note that providing the OTS with the market value estimate of the call option will result in more accurate results from the interest rate risk model.

Q&A No. 95

SUBJECT: DOLLAR ROLL CLEARING ACCOUNT
LINE(S): Schedule SC
DATE: March 15, 2000

Question: *An institution finances the purchase of MBSs with reverse repos. Each month that the dollar roll is not settled, they either remit or receive the difference between the buy and new sell prices. This amount is recorded in a "Dollar Roll Clearing Account." Where is the clearing account reported on the TFR?*

Answer: The clearing account is a due to/from broker account and should be reported in Other Assets or Other Liabilities, as appropriate.

Q&A No. 96

SUBJECT: LTV - DEFERRED LOAN FEES
LINE(S): Schedule CCR
DATE: March 15, 2000

Question: *When reporting loans on schedule CCR, if the loan meets all the criteria for 50% risk-weighting except the LTV, but the deferred fees (e.g. "points") would reduce the LTV from 81% to 79%, would this loan qualify for 50% or 100% risk-weighting?*

Answer: In this case, the loan would be risk-weighted at 50%. Loans may be risk-weighted at recorded investment, which is the principal balance adjusted for certain amounts, including deferred loan fees, premiums, and discounts.

SELECTED WEB SITE ADDRESSES

OTS Web Site Home Page	http://www.ots.treas.gov/
FDIC Web Site Home Page	http://www.fdic.gov/
TFR forms, the TFR Instruction Manual, and Financial Reporting Bulletins	http://www.ots.treas.gov/tfrpage.html
TFR Questions and Answers	http://www.ots.treas.gov/tfrqanda.html
Quarterly aggregate thrift industry data	http://www.ots.treas.gov/quarter.html
FDIC-insured Inst. and Industry Financial Data	http://www.fdic.gov/bank/index.html
Institution Directory and publicly available financial data for individual savings associations and commercial banks	http://www2.fdic.gov/call_tfr_rpts/
Annual Report of Trust Assets - publicly available data	http://www2.fdic.gov/artaweb/
Branch Office Survey/Summary of Deposits - publicly available data	http://www2.fdic.gov/sod/
Links to OTS industry statistical data	http://www.ots.treas.gov/ind-inst-data.html
Cost of Funds	
Thrift Industry National and Regional Net Annual Charge-offs by Asset Type	
OTS Fact Book (Historical Statistical Information of the Thrift Industry)	
OTS Press Releases	http://www.ots.treas.gov/news.html
OTS Regulatory Bulletins	http://www.ots.treas.gov/bltn_regulatory.html
OTS Thrift Bulletins	http://www.ots.treas.gov/bltn_thrift.html
Links to OTS Rules and other guidance	http://www.ots.treas.gov/laws-regs.html

GENERAL INSTRUCTIONS

Throughout these instructions, “you” and “your” refers to the savings association; “we” and “our” refers to the Office of Thrift Supervision.

1. REQUESTS FOR INFORMATION OR ASSISTANCE

Please direct all requests for assistance in Thrift Financial Report (TFR) preparation to your assigned financial reporting analyst in the Office of Thrift Supervision (OTS) Financial Reporting Division (FRD), Dallas, Texas. If you do not know the name or phone number of your assigned FRD analyst, call Doris Jackson at 972-281-2052. If you have questions concerning the electronic filing software or transmission, call Cheyann Houts at 972-281-2412 or Doris Jackson at 972-281-2052.

OTS maintains a series of TFR questions and answers on its web site at www.ots.treas.gov/tfrqanda.html. If you have a question for which you would like an e-mail response, please submit it to your financial reporting analyst or to “tfr.instructions@ots.treas.gov”.

You may request additional forms and instructions from the OTS by leaving a message at 202-906-6078 or by sending an e-mail to tfr.instructions@ots.treas.gov. Forms and instructions are also available on the OTS web site at www.ots.treas.gov/tfrpage.html.

2. FORMS

The TFR comprises the following schedules:

SC Consolidated Statement of Condition: Assets, liabilities, and equity capital

SO Consolidated Statement of Operations: Income and expense

VA Consolidated Valuation Allowances and Related Data: Reconciliation of valuation allowances, charge-offs and recoveries, and other data on troubled assets

PD Consolidated Past Due and Nonaccrual: Information on delinquent and nonaccrual loans

CC Consolidated Commitments and Contingencies: Information on commitments and contingencies

CF Consolidated Cash Flow Information: Information on mortgage, deposit, and other activity affecting cash flow during the quarter

SI Consolidated Supplemental Information: Information on deposits, liquidity, QTL, loans to insiders, reconciliation of equity capital, mutual fund sales, and other data

SQ Consolidated Supplemental Questions: Questions concerning structural and other activity during the quarter

YD Yields on Deposits: Interest rates on deposit accounts offered during the last seven days of the quarter

SB Consolidated Small Business Loans: Data completed annually as of June 30 to comply with Section 122 of the FDIC Improvement Act

CSS Subordinate Organization Schedule: Listing of information on all subordinate organizations and joint ventures completed annually at December 31

CCR Consolidated Capital Requirement: Balances necessary to compute the minimum capital requirement

CMR Consolidated Maturity and Rate: Information on interest rate and repricing/maturity characteristics of selected balance-sheet and off-balance-sheet items

3. FILING DATES

You should file all schedules except CMR electronically **no later than** the 30th day following the end of the reporting period. You must file Schedule CMR **no later than** the 45th day following the end of the reporting period.

OTS distributes a filing schedule for regulatory reports to each OTS-regulated institution at the beginning of each year. You should refer to this schedule throughout the year. If you have any questions concerning the OTS filing schedule, please contact Doris Jackson at 972-281-2052.

4. FILING THE TFR

OTS provides all savings associations with software for the electronic filing of the TFR through its contractor, DPSC Software, Inc. (a division of Netzee, Inc.). The software facilitates the preparation, edit, and transmission of the TFR. Please direct your questions concerning electronic filing to the OTS Financial Reporting Division in Dallas, Texas, at 972-281-2412 or 972-281-2052. Direct your questions regarding hardware requirements to the DPSC technical helpline at 1-800-825-3772 or to its web site at www.dpscsoftware.com.

OTS provides all savings associations with an instruction manual and sample TFR forms. We also provide updates to the instruction manual quarterly as part of the *Financial Reporting Bulletin*. You may obtain additional copies of the sample form and instruction manual from OTS at 202-906-6078. You can also print copies of the sample form from the electronic filing software. Additionally, TFR forms and instructions and financial reporting bulletins are available on OTS's web site at www.ots.treas.gov/tfrpage.html.

Reporting associations should retain at least one copy of the TFR as filed for reference; do not send paper copies to the OTS in Washington. Section 7(b)(5) of the Federal Depository Institutions Act requires each insured depository institution to maintain records for verifying the correctness of the institution's insurance assessment for five years from the date of filing.

5. AMENDING THE TFR

To have amendments included in the first public release of the OTS data file, you must transmit them within 55 calendar days of the end of the quarter (that is, within 25 days after the TFR due date). Amendments submitted after the 55-day period should have the approval of OTS (FRD in Dallas) before transmission. In no case can OTS process amendments beyond 140 days after the end of the quarter.

Corrections for material errors in prior-period TFRs should be treated in one of the following ways depending on the time period being corrected:

1. If you can file an amendment within 140 days of the end of the quarter being corrected, transmit the amendment correcting the TFR in which the error occurred after you discuss it with your FRD analyst in Dallas. You must also send a user note explaining the reason for the amendment.
2. If the correction is to an income statement in a quarter that can no longer be amended and is within the current calendar year, include the correction with the current TFR in the same data field that would have carried it in the original report. If the adjustment distorts yields or results in negative numbers in fields that do not permit negatives, include the amendment in Other Noninterest Income (SO490) or Other Noninterest Expense (SO580). Send a user note explaining the adjustment with the transmittal of the TFR.
3. If the correction is to an income statement for a quarter from a prior calendar year that can no longer be amended, make the adjustment directly to retained earnings on SI670 (Other Adjustments to Equity Capital). Send a user note with the transmittal of the TFR containing the adjustment.

You should file TFR amendments electronically, rather than by phone or fax. Amendments filed electronically automatically update your copy of the filing software. Please direct questions regarding the electronic filing of amended TFRs to the OTS Financial Reporting Division in Dallas, Texas, at 972-281-2412 or 972-281-2052.

The amendment filing deadlines above also apply to amending Schedule CMR. All amendments to Schedule CMR must be submitted within 140 days of the end of the quarter.

6. REPORTING BASIS

You must prepare the TFR on a consolidated basis in accordance with generally accepted accounting principles (GAAP). Report subordinate organizations that are not GAAP-consolidated subsidiaries using the equity or cost methods of accounting. “Subordinate organization” is defined by OTS regulation. It includes any corporation, partnership, business trust, association, joint venture, pool, syndicate, or other similar business organization in which a savings association has a direct or indirect ownership interest. It excludes an ownership interest that qualifies as a pass-through investment pursuant to OTS Regulation 560.32 and is so designated by the reporting savings association. GAAP-consolidated subsidiaries as defined in OTS Regulation 559.2 mean entities in which a savings association has a direct or indirect ownership interest and whose assets are consolidated with those of the savings association for purposes of reporting under GAAP.

You should apply GAAP unless we specifically state otherwise in these instructions. Accordingly, the instructions for each data field reflect, to the extent possible, GAAP applicable to savings associations. Note, however, that financial statements of savings associations prepared in accordance with GAAP have flexible presentation formats and may require significantly less detail on a less frequent basis than the TFR. The TFR collects additional detail to facilitate supervision by the OTS and to provide uniform information on industry activities. Certain GAAP reporting and presentation concepts may not be consistent with the conventions and frequency of the TFR. In these cases, the TFR instructions override GAAP presentation practices.

The amounts reported on the TFR must be readily reconcilable to the savings association's books and records.

7. EXEMPTION FROM FILING SCHEDULE CMR

Savings associations with less than $300 million in assets **and** with risk-based capital ratios in excess of 12 percent for two consecutive quarters are exempt from filing Schedule CMR. All savings associations newly regulated by the OTS are exempt from filing Schedule CMR for the first two quarters that they are under OTS regulation.

Savings associations lose their exemption from filing Schedule CMR if they do not meet the exemption criteria for two consecutive quarters. A savings association must file Schedule CMR beginning the quarter after the second consecutive quarter in which it does not meet the criteria. For example, if a savings association fails the criteria in March and June, it must file Schedule CMR for the September quarter and each quarter thereafter.

A savings association will also lose its exemption if the OTS Regional Director requires it to file Schedule CMR. The filing must continue until the Regional Director reinstates the exemption in writing.

8. TFR PREPARATION

a. Reporting associations should round all dollar amounts to the nearest thousand. If any balance sheet data field or other balance as of the end of the reporting period is less than $500, enter a "1" in the data field to indicate that the amount is not zero. This does not apply to the data fields representing income, expense, and other activity. Where necessary for balancing purposes, make adjustments to the appropriate "other" category.

b. Certain data fields that we indicate in the instructions and forms as being deducted should not be input as negative; these data fields will be subtracted by the electronic filing software. Indicate these data fields as negative only when the instructions say that the netting of certain amounts within these data fields might result in an amount that should be added rather than subtracted. We identify these data fields in italics on the form and mention them in the accompanying instructions.

c. You should check all data and prove all totals before and after input. Cross-check data fields that should agree with other data fields. All edit failures indicated in the electronic filing software should be thoroughly verified and corrected where necessary prior to submission. Explain edit exceptions with the "user note" function of the filing software.

d. Persons knowledgeable of the overall financial condition and operations of the savings association should review the final TFR. The Officers' and Directors' Certification at the front of the paper copy of the TFR must be signed by an officer and three directors of the savings association for each TFR submitted, including amendments. You must retain this certification form and have it available for inspection by OTS.

e. Indicate the name and telephone number of the person we should contact if questions arise concerning the TFR. This person should be familiar with OTS's reporting requirements. When the TFR is prepared by someone other than the savings association's personnel, the contact should be someone who can either answer questions or can quickly obtain such answers from savings association personnel. The name and address of the TFR contact must be correct because we use it to distribute quarterly TFR mailings.

SCHEDULE SC – CONSOLIDATED STATEMENT OF CONDITION

The Consolidated Statement of Condition (Schedule SC) is completed on a consolidated basis. Generally accepted accounting principles (GAAP) should be applied unless specifically stated otherwise in these instructions. In general, all assets are reported net of specific valuation allowances (SVAs), charge-offs, unamortized yield adjustments, unearned income, loans-in-process (LIP), and accumulated gains and losses related to a qualifying fair value hedge.

ASSETS

CASH, DEPOSITS AND INVESTMENT SECURITIES

In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” securities reported on SC130, SC140, SC150, SC180, and SC185 are classified into three categories:

1. **Held-to-maturity securities measured at amortized cost:** this classification is used for debt securities only if there is a positive intent and ability to hold these securities to maturity;
2. **Trading securities:** securities that are bought and held for the purpose of sale in the near term shall be reported at fair value, with unrealized gains or losses reported in earnings on SO485; and
3. **Available-for-sale securities:** securities not classified as trading or as held-to-maturity shall be classified as available-for-sale, and shall be reported at fair value. (The unrealized gains and losses are excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860, unless the securities are subject to a qualifying fair value hedge pursuant to SFAS No. 133.)

Do not include securities pledged on a margin account for futures and options contracts; report these on SC690 (Other Assets).

SC10: Total

Report the sum of SC110 through SC190 less SC199. This line will be automatically computed by the electronic filing software.

SC110: Cash and Non-interest-earning Deposits

Report the total amount of cash, cash items, and non-interest-earning deposits.

Include:

1. Non-interest-earning deposits in a bank or savings association under the control of a supervisory authority;
2. Cash items in the process of collection, such as redeemed U.S. Savings Bonds; and
3. Checks or drafts in process of collection that are drawn on another depository institution, Federal Reserve Bank, FHLBank, or the U.S. Government.

Do not include:

1. Accounts with credit balances that do not have the right of offset; report on SC760 (Other Borrowings); and
2. Checks drawn against zero-balance accounts or accounts not routinely maintained with sufficient balances to cover checks drawn in the normal course of business; report on SC710 (Deposits).

SC130: U.S. Government and Agency Securities

Report nonmortgage debt instruments issued by the U.S. government and its agencies.

Include:

1. Interest-only and principal-only strips of U.S. government and agency securities;
2. U.S. Treasury bills, certificates, notes, and bonds;
3. Nonmortgage debt issued by FHLBanks, FannieMae, FreddieMac, and GinnieMae;
4. Federal agency debt securities, such as: SBA nonmortgage pools, TVA, Federal Farm Credit Bank, Federal Land Bank, Federal Intermediate Credit Bank, SallieMae, and the Export-Import Bank;
5. FICO bonds; and
6. U.S. Government and agency securities pledged as collateral on margin accounts for futures and options.

Do not include:

1. Investments in mutual funds that invest in U.S. government and agency securities; report on SC140 (Equity Securities);
2. Stock of FHLBanks; report on SC690 (Other Assets);
3. Equity securities issued by agencies of the U.S. government (*e.g.*, FreddieMac preferred stock);
4. Securities issued by state and local governments; report on SC180;
5. Securities purchased under a repurchase or dollar-repurchase agreement; report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell); and
6. Mortgage-backed instruments and derivatives issued or guaranteed by FannieMae, FreddieMac, or GinnieMae; report on SC150.

SC140: Equity Securities Subject to SFAS No. 115

Report all investments in equity securities that have readily determinable fair values and that are accounted for pursuant to SFAS No. 115.

Include:

1. Common and preferred stock that has a readily determinable market value, including Freddie Mac and Fannie Mae stock;

2. Shares of all mutual funds, including those restricting their investments to debt instruments (*e.g.*, U.S. Government and agency securities).

Do not include:

1. FHLBank stock; report on SC690 (Other Assets);
2. Other equity investments **not subject to FASB Statement No. 115,** including ownership interests in unconsolidated subordinate organizations and entities designated as pass-through investments (even though they are not subordinate organizations); report on SC50 (Investment in Unconsolidated Subordinate Organizations); and
3. The reporting savings association's own treasury stock; report on SC890 (Other Components of Equity Capital).

SC150: Mortgage Derivative Securities

Report the outstanding balance, as determined in accordance with GAAP, of mortgage derivatives.

Include:

1. Mortgage derivatives issued by REMICs;
2. PO and IO strips of mortgage-backed securities, including those issued or guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae;
3. CMOs (collateralized mortgage obligations) including those collateralized by Fannie Mae, Freddie Mac, and Ginnie Mae pass-through securities;
4. Residuals of CMOs; and
5. Securitized residual interests of mortgage derivatives.

Do not include:

1. PO and IO strips of U.S. Government and agency nonmortgage debt instruments; report on SC130;
2. Mortgage-backed bonds; report on SC185;
3. Mortgage pool securities; report on SC210 and SC215; and
4. Securities collateralized by nonmortgage assets; report on SC185.

SC162: Interest-Earning Deposits in FHLBs

Report all interest-earning checking accounts and time deposits (certificates of deposit) held with Federal Home Loan Banks.

Do not include:

Accounts with credit balances that do not have the right of offset; report on SC760 (Other Borrowings), except for credit balances in "zero-balance" accounts, which are reported on SC710 (Deposits).

SC166: Other Interest-Earning Deposits

Report all interest-earning checking accounts and time certificates held with banks and other depository institutions.

Do not include:

Accounts with credit balances that do not have the right of offset; report on SC760 (Other Borrowings), except for credit balances in "zero-balance" accounts, which are reported on SC710 (Deposits).

SC170: Federal Funds Sold and Securities Purchased Under Agreements to Resell

Include:

1. The balance of excess Federal Funds invested.

2. Securities purchased under agreements to resell that do not meet the criteria for a sale under FASB Statement No. 125, including dollar-repurchase, fixed coupon agreements (see SC730 for reporting requirements).

SC180: State and Municipal Obligations

Report debt securities issued by state and local governments.

SC185: Other Investment Securities

Report investment securities and other instruments not reported on SC110 through SC180 or SC50.

Include:

1. Investments in commercial paper and corporate debt securities;
2. Promissory notes;
3. Mortgage-backed bonds and notes; and
4. Securities collateralized by nonmortgage loans, including securitized residual interests.

SC190: Accrued Interest Receivable

Report the accrued interest and dividends receivable on investment securities reported on SC110 through SC185 if collection was probable at the time of accrual. Investment securities on which collection of interest is not probable must be placed in a nonaccrual status.

SC199: General Valuation Allowances

Report all general valuation allowances established on investment securities reported on SC110 through SC190. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

Do not include the following items which directly adjust the asset balance:

1. Adjustments in the fair value of investment securities classified as trading assets;
2. Specific valuation allowances; and
3. Discounts and premiums on securities purchased at other than face value.

The carrying value of the savings association's investment in common stock is initially recorded at cost. The investment is adjusted to record the savings association's proportionate share of the entity's earnings or losses after the elimination of intercompany profits and is decreased by the amount of dividends from the entity. If it is appropriate to reduce an investment below zero, it should not be offset against other equity investments, but should be reclassified to SC796 (Other Liabilities and Deferred Income) and coded "08".

Cost Method

The cost method is used when an savings association owns less than 20% of the voting shares of the investment and cannot exert significant influence over its operations.

The carrying value of the savings association's investment is recorded at cost and is not adjusted for net income or loss or dividends. Cash dividends received are recorded as income from the investment and are reported on SO491 (Other Noninterest Income).

SC529: Memo: General Valuation Allowances

This item is a memo item that has already been deducted from SC50 and therefore is not included in the summation of assets for SC60 (Total Assets). Report all general valuation allowances established on amounts reported on SC50 to recognize losses pertaining to the reporting savings association's investment in and unsecured loans to its unconsolidated subordinate organizations. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

Do not include:

1. Specific valuation allowances;
2. Valuation allowances established at the subordinate organization level; and
3. Permanent declines in value; these must be written off directly against the equity investment.

SC55: OFFICE PREMISES AND EQUIPMENT

Report the book value of all premises and equipment (whether purchased directly or acquired by means of a capital lease) used in the reporting savings association's business operations, net of accumulated depreciation. In a sale/leaseback where the resulting lease is a capital lease, report the capital lease net of the unamortized deferred gain or loss.

Report depreciation expense for the quarter on SO530 (Office Occupancy and Equipment Expense).

Include:

1. All land, buildings, and parking lots occupied by the savings association, including those only partially occupied by the reporting savings association;
2. Land or improved real estate intended for future use in the business operations of the savings association;
3. Real estate formerly occupied by the reporting savings association, if the real estate is held-for-sale;
4. Capital leases for the savings association's office premises and equipment;
5. Carrying costs capitalized during the construction of the savings association's premises;
6. The unamortized balance of all improvements to leased quarters and any capital improvements made to land leased for the use of the savings association;
7. Office furniture, fixtures, equipment and vehicles owned by the reporting savings association;

8. Costs of computer software developed or obtained for internal use **only** where such costs have been capitalized and amortized in accordance with the provisions of AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Do not include:

1. Repossessed assets, unless used by the reporting savings association on other than a temporary basis; report on SC405 through SC430;
2. Real estate held for investment; report on SC45;
3. Real estate originally acquired for future use of the savings association but no longer intended for that purpose; report as REO on SC405 through SC428;
4. Real estate formerly occupied by the reporting savings association and not actively held-for-sale; report on SC45;
5. Real estate acquired as part of a troubled debt restructuring; report on SC405 through SC428 (Repossessed Real Estate); and
6. Costs specifically associated with modifying internal-use computer software for the year 2000, whether such costs are external or internal; such costs should be charged to expense as incurred, pursuant to EITF Issue No. 96-14, "Accounting for the Costs Associated with Modifying Computer Software for the Year 2000".

OTHER ASSETS:

SC58: TOTAL

Report the sum of SC642 through SC690 less SC699. This line will be automatically computed by the electronic filing software.

Servicing Assets on:

Report the amortized cost of servicing assets accounted for under SFAS No. 125. The amortized cost is reported net of any specific valuation allowances, and net of any accumulated gains and losses related to a qualifying fair value hedge.

Servicing assets are subject to certain regulatory capital limitations; refer to the instructions for data field CCR133.

Do not include amounts for any rights to future interest income from the serviced loans that exceed contractually specified servicing fees (defined below). Such rights are not servicing assets. Report such amounts on SC655 (Interest-only Strip Receivables and Certain Other Instruments).

Contractually specified servicing fees are all amounts that, per the contract, are due to the servicer in exchange for the servicing and would no longer be received by a servicer if the beneficial owners of the serviced assets were to exercise their actual or potential authority under the contract to shift the servicing to another servicer.

SC642: Mortgage Loans

Report servicing assets on mortgage loans only.

SC644: Nonmortgage Loans

Report servicing assets of loans other than mortgages; *e.g.,* automobile and credit card loans.

SC655: Interest-only Strip Receivables and Certain Other Instruments

Report the amortized cost of certain nonsecurity financial instruments (CNFIs) accounted for under SFAS No. 125. The amortized cost is reported net of any specific valuation allowances and any accumulated gains and losses related to a qualifying fair value hedge. CNFIs include interest-only strip receivables, loans receivable, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment.

Do not include interest-only strips **in security form**; report on SC150 (Mortgage Derivative Securities) or SC185 (Other Investment Securities), as appropriate.

In general, CNFIs are initially recorded at cost (which often approximates fair value). Subsequent to initial recording, CNFIs are measured at fair value, like investments in debt securities classified as available-for-sale or trading under SFAS No. 115.

SC660: Goodwill and Other Intangible Assets

Report the unamortized balance of goodwill and other intangibles.

Goodwill arises when:

1. The fair value of liabilities assumed exceeds the fair value of tangible and identified intangible assets acquired; and
2. The purchase price exceeds the fair value of assets received (including identifiable intangible assets) less the fair value of liabilities assumed.

Goodwill is recorded in:

1. Mergers using the purchase method of accounting;
2. Acquisitions of the reporting savings association using push-down accounting; and
3. Purchase of the assets and liabilities of a branch office.

Goodwill is not recorded in receiverships and similar reorganizations. In this case the excess of liabilities over assets is recorded as deficit capital.

The recording, determination of the life, and amortization of goodwill must be in accordance with GAAP as principally prescribed by SFAS No. 72.

Include:

1. Goodwill;
2. Identified core deposit intangibles;
3. Organization costs until adoption of AICPA SOP 98-5; and
4. Other intangible assets.

Do not include:

1. Servicing assets reported on SC642 and SC644 (Servicing Assets); and

2. Interest-only strip receivables and certain other instruments reported on SC655.

SC690: Other Assets

Report the total of assets not reported elsewhere on Schedule SC. A list of the types of assets to be included can be found in the memo items detailing other assets below.

Do not include:

1. Premiums on deposits and borrowed money purchased by the reporting savings association; report premiums on deposits on SC715 and premiums on borrowed money with the related borrowing;
2. Deferred credits (deferred income) that do not have a related asset; report on SC796 (Other Liabilities and Deferred Income);
3. Accounts with a material credit balance that are not contra-assets; report on SC796 (Other Liabilities and Deferred Income); and
4. Identified core deposit intangibles; report on SC660 (Goodwill and Other Intangible Assets).

Memo: Detail of Other Assets

Report the three largest items comprising the amount reported in SC690. Codes best describing these items should be selected from the list below and reported on SC691, 693 and 697, and the corresponding amounts should be reported on SC692, 694, and 698. This detail must be completed if an amount is reported on SC690.

SC691, 693 and 697: Codes

01 Federal Home Loan Bank Stock

02 Accrued Federal Home Loan Bank dividends

03 Federal, state, or other taxes receivable (whether as the result of prepayment or net operating loss carrybacks);

04 Net deferred tax assets in accordance with SFAS No.109;

05 Insured portion of real estate acquired by foreclosure or deed in lieu of foreclosure on VA or FHA-HUD loans while the title is held pending conveyance to that agency

06 Prepaid deposit insurance premiums

07 Prepaid expenses

08 Deposits for utilities and other services

09 Advances for loans serviced for others (including advances for taxes and insurance and advances to investors)

10 Property leased to others under an operating lease as provided in OTS Regulation 560.41, net of accumulated depreciation

11 Deferred issuance costs related to subordinated debentures, mandatory convertible securities, and redeemable preferred stock

12 Amounts receivable under interest rate swap agreements

13 Noninterest-bearing accounts receivable from a holding company or affiliate

14 Other miscellaneous noninterest-bearing short-term accounts receivable

15 Margin accounts

16 Unamortized options fees

17	Deferred net losses (gains) on asset hedges (prior to adoption of SFAS No. 133)
18	Cash surrender value of life insurance
19	Receivable from a broker between trade and settlement dates on the sale of securities
20	Derivative instruments in a gain position, at fair value
21	Bank-owned life insurance (BOLI)
22	Unapplied loan disbursements
23	Other residual interests in financial assets sold not appropriately reported elsewhere
99	Other (**Use this code only for those items not identified above**.)

SC692, 694, and 698: Amounts

Report the dollar amounts corresponding to the codes reported on SC691, 693, and 697.

SC699: GENERAL VALUATION ALLOWANCES

Report all general valuation allowances established to recognize credit losses on receivables included in Other Assets.

All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

SC60: Total Assets

Report the sum of SC10, SC20, SC23, SC30, SC40, SC45, SC50, SC55, and SC 58. This amount will be automatically computed by the electronic filing software and must equal SC90.

LIABILITIES

DEPOSITS

SC710:

Report all deposits at their face value except zero coupon deposits, which are reported at face value net of the unamortized discount.

Include:

1. All deposits whether interest-bearing or not.
2. Deposits exceeding SAIF insurance limits, including those collateralized by the savings association's assets, such as deposits of public funds.
3. Unposted credits, such as:
   a. Deposit transactions that are included in a general ledger account and have not yet been posted to a deposit account;
   b. Deposits received in one branch for deposit into another branch (typically another branch in another state or outside of continental USA).

   Unposted credits should be reported net of unposted debits, which are defined as cash items in the reporting savings association's possession that are drawn on the reporting savings association and immediately chargeable, but not yet charged, against the savings association's deposits at the close of business on the reporting date.

   Exclude:
   (i) cash items drawn on other financial institutions;
   (ii) overdrafts and nonsufficient fund (NSF) items;
   (iii) cash items returned unpaid to the last endorser for any reason; and
   (iv) drafts and warrants that are "payable at" or "payable through" the reporting savings association for which there is no written authorization from the depositor and no state statute allowing the savings association at its discretion to charge the items against the deposit accounts of the drawees.

   Report the above excluded unposted debit amounts in assets on SC110. Note: If the total of #3 is negative, it can be deducted from SC710.

4. Outstanding cashier's checks, money orders, or other official checks drawn on an internal account issued in the usual course of business for any purpose, including, without being limited to, those issued in payment for services, dividends, or purchases of the reporting savings association, or payable to a third party named by a customer making the withdrawal.
5. Accounts pledged by the directors and/or organizers of the savings association as protection against operating deficits and other nonwithdrawable accounts, whether or not they are used in determining compliance with minimum capital requirements.
6. U.S. Treasury tax and loan accounts that represent funds received as of the close of business of the reporting date. Do not include funds credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes; such balances are reported on SC796 (Other Liabilities and Deferred Income).

Accounts payable with material debit balances must be reclassified to accounts receivable; report on SC690 (Other Assets) as Code 14.

SC790: Deferred Income Taxes

Report deferred federal, state, and local income tax liabilities. Report debit balances as deferred tax assets on SC690 (Other Assets) as Code 04.

SC796: Other Liabilities and Deferred Income

Report the total of liabilities not reported elsewhere on Schedule SC. A list of the types of liabilities to be included can be found in the memo items detailing other liabilities below.

Memo: Detail of Other Liabilities

Report the three largest items comprising the amount reported in SC796. Codes best describing these items should be selected from the list below and reported on SC791, 794 and 797, and the corresponding amounts should be reported on SC792, 795, and 798. This detail must be completed if an amount is report on SC796.

SC791, 794 and 797: Codes

01 Dividends payable on stock

02 Financial options fees received

03 Deferred net gains (losses) on liability hedges (prior to adoption of SFAS No. 133)

04 Nonrefundable loan fees received prior to loan closing

05 Deferred gains from sale/leaseback where the resulting lease is an operating lease

06 Balances in U.S. Treasury tax and loan accounts administered under the note option that provide for the conversion of the previous day’s balance to an interest-bearing demand note

07 Deferred gains from the sale of real estate recorded under the percentage-of-completion or deposit methods pursuant to SFAS No. 66, “Accounting for Sales of Real Estate”

08 Negative investments in entities accounted for under the equity method;

09 Fees received for standby contracts and other option arrangements where the savings association is obligated to purchase or sell securities at the option of the other party

10 Amounts due brokers between trade and settlement dates on the purchase of securities

11 The liability recorded for pensions and other post-retirement benefits

12 Negative goodwill

13 Amounts payable under interest-rate-swap agreements

14 Unapplied loan payments received for which the customer’s account will be credited as of the date of receipt

15 Liability when the benefits of a loan servicing contract are not expected to adequately compensate the servicer

16 Recourse loan liability

17 Noninterest-bearing payables due to holding companies and affiliates

18 Litigation reserves

19 Nonrefundable stock subscriptions (Note that refundable stock subscriptions are reported as escrows on SC783)

20 Derivative instruments in a loss position, at fair value

99 Other (Use this code only for those items not identified above.)

Do not Include:

1. Escrows; report on SC783 (Escrows);
2. Deferred credits classified as contra-assets (*e.g.*, loans in process, deferred loan fees, etc.);
3. Yield adjustments on deposits; report on SC715 (Unamortized Yield Adjustments on Deposits);
4. Yield adjustments, commitment fees, and issue costs on FHLBank advances and other borrowings; report as part of the borrowings' balance;
5. Accrued interest on escrow accounts; report on SC783 (Escrows);
6. U.S. Treasury tax and loan accounts administered under the remittance option requiring the remittance of the previous day's balance to a Federal Reserve Bank; report on SC710 (Deposits); and
7. Unapplied loan payments received for which the customer's account will be credited as of the date of transfer rather than the date of receipt from the customer; report on SC710 (Deposits).

SC792, 795, and 798: Amount

Report the dollar amounts corresponding to the codes reported on SC791, 794, and 797.

SC70: Total Liabilities

Report the sum of SC710, SC783, SC715, SC72, and SC75. This line will be automatically computed by the electronic filing software.

REDEEMABLE PREFERRED STOCK AND MINORITY INTEREST

SC799:

Report items that have characteristics of both liabilities and equity capital and that in accordance with GAAP should not be classified as equity capital.

Include:

1. Redeemable preferred stock issued by the reporting savings association;
2. Perpetual preferred stock issued by consolidated subsidiaries to third parties constituting minority interest; and
3. Income Capital Certificates issued to FSLIC Resolution Fund for which cash has been received and no FSLIC note remains on the books of the reporting savings association.

Do not include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties; report on SC760 (Other Borrowings);
2. Preferred stock (redeemable and perpetual) issued by consolidated subsidiaries to the reporting savings association or its other subordinate organizations; when consolidating these must be eliminated; and

Report all capitalized interest costs in accordance with SFAS No. 34, “Capitalization of Interest Costs.” The interest rate utilized shall not exceed the weighted average rate for total interest-bearing deposits and other liabilities. Capitalized interest is deducted from interest expense. Report this as a positive number even though it will always be a credit balance.

SO280: Amortization of Deferred Losses (Gains) on Liability Hedges

Report amortization of deferred losses (gains) from the purchase or sale of futures and options contracts matched with liabilities, if accounted for as a hedge. This applies only to those institutions that have not yet adopted SFAS No. 133.

SO290: Net Cost of Matched Interest Rate Swaps

Report the net loss (gain) on off-balance-sheet hedging such as matched interest-rate exchange agreements hedging liabilities. The net cost of interest-rate swaps is measured by the difference in swapped interest expense. If income is earned, indicate the amount as negative. This applies only to those institutions that have not yet adopted SFAS No. 133.

Unmatched swaps are reported at fair value. Report adjustments to mark unmatched swaps to fair value on SO485 (Net Income (Loss) from: Trading Assets (Realized and Unrealized)).

SO311: Net Interest Income (Expense) Before Provision for Losses on Interest-Bearing Assets

Report SO11 less SO21.

This line will be automatically computed by the electronic filing software.

NET PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

SO321:

Report the provision for losses on all interest-bearing assets. Report credit balances as negative.

Refer to the general instructions for Schedule VA for a discussion of the proper calculation of provision for losses.

Adjustments to valuation allowances should be reported as an expense in the period in which the reporting association determined the amount of the loss even if that loss actually occurred in a prior period, that is, adjustments to valuation allowances should not be reported as prior period expenses.

Include:

Losses recognized in marking loans to fair value at the time of foreclosure or in-substance foreclosure.

Do not include:

1. Adjustments to available-for-sale securities for unrealized gains or losses in accordance with SFAS No. 115; report directly on SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities);
2. Adjustments to trading assets; report on SO485 (Net Income (Loss) from: Trading Assets (Realized and Unrealized));

3. Recoveries of valuation allowances at the time of sale; include these in the gain or loss; and
4. Provisions for losses on noninterest-bearing assets; report on SO570 (Net Provision for Losses on Noninterest-bearing Assets).

SO331: Net Interest Income (Expense) After Provision for Losses on Interest-Bearing Assets

Report SO311 less SO321.

This line will be automatically computed by the electronic filing software.

NONINTEREST INCOME

SO40: Total

Report the sum of SO410 through SO491.

This line will be automatically computed by the electronic filing software.

SO410: Mortgage Loan Servicing Fees

Include:

1. Fees earned from servicing mortgage loans and participations for others; and
2. A deduction for amortization and write-downs of Servicing Assets reported on SC642.

Do not include:

Servicing fees for nonmortgage loans; report on SO420 (Other Fees and Charges).

Report the difference between the net interest retained from mortgage loan servicing and the amortization or other write-down of Mortgage Servicing Assets. Do not deduct servicing expenses.

SO420: Other Fees and Charges

Report all fees and charges not reported on SO410.

Include:

1. Loan servicing fee income on nonmortgage loans, including credit card servicing income;
2. Trust fee income;
3. Loan charges such as: prepayment fees; late charges; and assumption fees;
4. Amortization of commitment fees when the likelihood is remote that the commitment will be exercised;
5. Brokerage fee income;
6. Annuity fee income;
7. Insurance premiums, fees, and commissions;
8. Transaction account fees; and
9. All other fees not reported on SO410.

Do not include:

Amortization of loan fees; report as a yield adjustment to interest income.

Net Income (Loss) from:

Report net income (loss) on the following categories. Do not allocate personnel and general administrative expenses.

SO430: Sale of Assets Held for Sale and Available-for-Sale Securities

Include:

1. The profit or loss from the disposition of assets held for sale; and
2. The profit or loss from the disposition of available-for-sale securities pursuant to SFAS No. 115.

When securities classified as available-for-sale pursuant to SFAS No. 115 are sold, SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities) is reversed for the amount of the unrealized gain or loss previously recorded and the entire difference between amortized cost and net sales proceeds is reported in earnings.

Because the lower-of-cost-or-market adjustments to assets held for sale are recognized in income as they occur, the amount recognized at the time of sale is the difference between recorded value and net sales proceeds.

Do not include:

1. Gains or losses on trading assets; report on SO485; and
2. Lower-of-cost-or-market adjustments to assets held for sale; report on SO465.

SO461: Operations and Sale of Repossessed Assets

Include:

1. Net income (loss) from repossessed assets reported on SC40 (Repossessed Assets); report direct expenses on repossessed assets, even if there is no income; and
2. Gains (losses) from the sale of repossessed assets reported on SC40 (Repossessed Assets).

Do not include:

1. Adjustments to valuation allowances established on REO; report on SO570 (Net Provision for Losses on Noninterest-Bearing Assets); and
2. Write-downs taken when marking foreclosed assets to fair value at time of foreclosure; report on SO321 (Net Provision for Losses on Interest-bearing Assets).

SO465: LOCOM Adjustments Made to Assets Held for Sale

Report adjustments to assets held for sale to value them at the lower-of-cost-or-market. The amount reported here is also included on VA120 (Net Provision for Loss).

Do not include:

1. Any unrealized gains or losses on available-for-sale securities recorded pursuant to SFAS No. 115; report only as a separate component of equity capital on SC860;
2. Profit (loss) on the sale of assets held for sale; report on SO430; and

3. Operating income and expense from mortgage banking activities; report in the appropriate income or expense category.

SO467: Sale of Securities Held-to-Maturity

Include:

1. Gains (losses) from the sale or other disposition of mortgage pool securities reported on SC210 and SC215 (Mortgage Pool Securities) that were held-to-maturity; and
2. Gains (losses) from the sale or other disposition of securities reported on SC130 through SC185 (Cash, Deposits and Investment Securities) that were held-to-maturity.

Do not include:

1. Gains (losses) from the sale of securities held in a trading portfolio; report on SO485; and
2. Gains (losses) from the sale of available-for-sale securities; report on SO430.

When computing the gain on sale of securities adjust the carrying value of investments for all yield adjustments, including deferred gains and losses from hedging activities, accrued interest receivable, and valuation allowances.

SO475: Sale of Loans Held for Investment

Report gains (losses) from the sale or other disposition of mortgage and nonmortgage loans reported on SC230 through SC265 and SC300 through SC345.

Do not include:

1. Gains (losses) from the sale of loans and securities in a trading portfolio; report on SO485;
2. Gains (losses) from the sale of loans held for sale; report on SO430; and
3. Recoveries of losses previously written off; report on VA140 (Recoveries).

When computing the gain on sale of loans adjust the carrying value for all yield adjustments (including loan fees and deferred gains and losses from hedging activities), accrued interest receivable, and valuation allowances.

SO477: Sale of Other Assets Held for Investment

Report gains (losses) from the sale or other disposition of any assets not reported on SO430 through SO475 or SO485.

Include:

1. Gains (losses) from the sale of real estate held for investment reported on SC45 (Real Estate Held for Investment) that may be accounted for as current income in accordance with SFAS No. 66, “Accounting for Sales of Real Estate;
2. Gains (losses) from the sale of a branch operation or a portion thereof, such as deposits;
3. Gains (losses) from the sale of loan servicing rights when sold separately from the loan; and
4. Gains (losses) from the sale of subsidiaries.

SO485: Trading Assets (Realized and Unrealized)

Include:

1. Realized gains (losses) on trading assets;

2. Changes in unrealized gains (losses) on trading assets;
3. Current-period net income (loss) from options contracts that are not accounted for as yield adjustments; include the amortization of “time value” from short positions and market gains in the immediate exercise value (“intrinsic value”) of options positions that are either unmatched or matched with assets or liabilities reported at fair value;
4. Changes in unrealized gains (losses) on options positions if the forward-commitment position hedged by the option is terminated or will not occur;
5. Changes in unrealized gains (losses) on futures positions, interest rate swaps, caps and collars that are either unmatched or matched with assets or liabilities reported at fair value; and
6. Changes in unrealized gains (losses) on futures transactions that can no longer be accounted for as hedges under GAAP.

SO491: Other Noninterest Income

Report the total of all noninterest income not included on SO410 through SO485. A list of the types of income to be included can be found in the memo items detailing other noninterest income below.

Do not include:

1. Loan servicing fees; report on SO410 or SO420, as appropriate;
2. Trust fee income, report on SO420; and
3. Other fees, report on SO420.

Memo: Detail of Other Noninterest Income

SO493, 494: Reserved for FHLBank Dividends

These data fields are reserved for cash and stock dividends on FHLBank stock. The code in SO493 will always be code 01, which represents FHLBank dividends, and the amount in SO494 will always represent the amount of FHLBank dividends included in SO491.

SO495, 497 and SO496 and 498:

Report the two largest items comprising the amount reported on SO491, excluding dividends on FHLBank stock. Codes best describing these items should be selected from the list below and reported on SO495, and 497. This detail must be completed if an amount is reported on SO491.

Because SO491 can be made up of both positive and negative amounts (*e.g.*, net income (loss) from leasing operations), the two items which have the greatest impact on the total, regardless of their sign, should be reported. Therefore, in selecting the two largest items comprising the amount reported on SO491, disregard the sign of the number. Although the sign should be disregarded in the <u>selection</u> of the two largest items; the amount should be <u>reported</u> with the correct sign.

SO495 and 497: Codes

02 Interest income from income tax refunds

03 Interest income from margin accounts

04 Net income (loss) from leasing or subleasing space in the association’s office quarters, future office quarters, and parking lots

05 Net income (loss) from real estate held for investment

06 Net income (loss) from investments in unconsolidated subordinate organizations and pass-through investments, accounted for using the equity method, after the elimination of intercompany profits

07 Net income (loss) from leased property

08 Net income (loss) allocable to minority shareholders

09 Net income from data processing equipment leased or services provided to others

10 Dividends from subordinate organizations reported on SC50 and accounted for by the cost method

11 Adjustments to prior periods

12 Income received on real estate acquired through foreclosure or deed in lieu of foreclosure on VA or FHA loans pending conveyance to the insuring agency

13 Amortization of negative goodwill reported on SC796

14 Income from interest-only strip receivables and certain other instruments reported on SC655

99 Other (**Use this code only for those items not identified above**.)

SO496 and 498: Amounts

Report the dollar amounts corresponding to the codes reported on SO493, 495 and 497.

NONINTEREST EXPENSE

Do not include material adjustments to expenses from prior calendar years; refer to page 3 of the General Instructions for procedures for correcting prior periods.

SO51: Total

Report the sum of SO510 through SO580. This line will be automatically computed by the electronic filing software.

SO510: All Personnel Compensation and Expense

Report gross salaries, wages, bonuses, and other compensation and expenses of officers, directors and employees, whether employed full- or part-time.

Include:

1. The cost of temporary help and employment contractors;
2. Fringe benefits such as the employer’s share of payroll taxes, insurance premiums, lunchroom expenses, tuition fees, uniforms, parking, etc.;
3. Bonuses and awards;
4. Employer contributions to pension and retirement funds and ESOP plans;
5. Pensions paid directly by the reporting association;
6. Lump-sum pension contributions;
7. Payments related to past services, such as severance pay;
8. Directors’ fees; and

9. Travel and other expenses for directors, officers, and employees.

Do not include:

Allowances for privately owned automobiles used in connection with the reporting association's business, or any depreciation and other noninterest expense on leased automobiles; report on SO530.

SO520: Legal Expense

Report all legal fees and retainers, including accruals and amortization.

Do not include legal settlements; most settlement payments should be reported on SO580.

SO530: Office Occupancy and Equipment Expense

Include:

1. Depreciation and other expenses of association-owned space, capital leases, furniture and fixtures, automobiles and equipment reported on SC55 (Office Premises and Equipment);
2. Amortization of leasehold improvements;
3. Rent, net of the amortization of deferred gain on a sale/leaseback;
4. Uncapitalized equipment purchases;
5. Taxes, assessments, and insurance premiums on office premises, equipment, and land for future use;
6. Rental costs, maintenance contracts, and expenses on office furniture, machines, and data processing equipment; and
7. Accounting servicing fees paid to a data center.

If a portion of office premises and equipment is leased to others, allocate related expenses to SO491 (Other Noninterest Income). When actual data are not available, a reasonable, consistent, and documented estimate is acceptable.

SO540: Marketing and Other Professional Services

Include:

1. Advertising, production, agency fees, and direct mail;
2. Marketing research, including consultants;
3. Public relations, including consultants, seminars, or customer magazines;
4. Sales training by consultants;
5. Public accountants' fees;
6. Management services;
7. Consulting fees for economic surveys; and
8. Other special advisory services.

Do not include:

1. Legal fees; report on SO520;
2. Data processing fees; report on SO530;
3. Supervisory examination fees; report on SO580; and

4. Deposit promotions, giveaways, premiums, and commissions that are capitalized; report amortization on SO215 (Interest Expense: Deposits).

SO550: Loan Servicing Fees

Report fees paid to others to service mortgage and nonmortgage loans.

Include:

1. Fees for servicing loans owned by the reporting association and its consolidated subsidiaries;
2. Fees for servicing loans owned by others where the reporting association owns the servicing rights.

Do not include:

1. Amortization of purchased loan servicing rights; deduct from SO410 (Mortgage Loan Servicing Fee Income); and
2. Servicing fees for loans acquired on a net yield basis; deduct from related interest income.

SO560: Amortization of Goodwill

Report amortization of SC660 (Goodwill and Other Intangible Assets).

Include:

1. Amortization of goodwill;
2. Amortization of core deposit premiums and other intangibles; and
3. Write-downs of goodwill and other intangible assets.

Do not include:

Amortization of loan servicing assets; deduct from SO410 (Mortgage Loan Servicing Fee Income).

SO570: Net Provision for Losses on Noninterest-bearing Assets

Report the provision for losses on all noninterest-bearing assets. Report credit balances as negative.

Refer to the general instructions for Schedule VA for a discussion of the proper calculation of provision for losses. Adjustments to valuation allowances should be reported as an expense in the period in which the reporting association determined the amount of the loss even if that loss actually occurred in a prior period, that is, adjustments to valuation allowances should not be reported as prior period expenses.

Include adjustments to valuation allowances on:

1. Real estate owned;
2. Real estate held for investment;
3. Subordinate organizations; and
4. Other assets.

Do not include:

1. Recoveries of valuation allowances at the time of sale; include these in the gain or loss;
2. Provisions for losses on interest-bearing assets; report on SO321 (Net Provision for Losses on Interest-bearing Assets);
3. Direct charge-offs of servicing assets; report on SO410 (Mortgage Loan Servicing Fees); and

4. Losses recognized in marking foreclosed assets to fair value at the time of foreclosure or in-substance foreclosure; report these as losses on loans on SO321 (Net Provision for Losses on Interest-bearing Assets).

SO580: Other Noninterest Expense

Report the total of all noninterest expense not included on SO510 through SO570. A list of the types of expense to be included can be found in the memo items detailing other noninterest expense below.

Memo: Detail of Other Noninterest Expense

Report the three largest items comprising the amount reported on SO580. Codes best describing these items should be selected from the list below and reported on SO581, 583, and 585; the corresponding amounts are reported on SO582, 584, and 586. This detail must be completed if an amount is reported on SO580.

SO581, 583, and 585: Codes

01 Deposit Insurance premiums

02 OTS assessments

03 Interest expense on income taxes

04 Interest expense on Treasury tax and loan accounts administered under the note option

05 Forfeited commitment fees on FHLBank advances not taken down by the association

06 Supervisory examination fees

07 Office supplies, printing, and postage

08 Telephone, including data lines

09 Noncapitalized loan origination expenses, including appraisal reports, credit reports, etc.

10 ATM expense

11 Adjustments to prior periods

12 Acquisition and organization costs, including mergers and branch office acquisitions

13 Miscellaneous taxes other than income taxes and real estate taxes

14 Losses from fraud

15 Foreclosure expenses

16 Web site expenses

99 Other (**Use this code only for those items not identified above**.)

SO582, 584 and 586: Amounts

Report the dollar amounts corresponding to the codes reported on SO581, 583 and 585.

SO60: Income (Loss) Before Income Taxes

Report the sum of SO331 plus SO40 less SO51.

This line will be automatically computed by the electronic filing software.

INCOME TAXES

SO71: Total

Report the sum of SO710 and SO720.

This line will be automatically computed by the electronic filing software.

SO710: Federal

Report federal income tax expense. Report a net credit as negative.

Include:

1. Deficiency (penalty) payments;
2. Adjustments to correct prior period accruals for which the amendment cycle is no longer open;
3. Amortization of prepaid or deferred federal income taxes;
4. Reductions for refunds from prior periods not previously reported; and
5. Reductions for NOL carrybacks.

Do not include:

Interest income and expense on tax accounts; report on SO491 (Other Noninterest Income) or SO580 (Other Noninterest Expense).

SO720: State, Local, and Other

Report state, local and other income tax expenses. Report a net credit as negative.

Include:

1. Deficiency (penalty) payments;
2. Adjustments to correct prior period accruals for which the amendment cycle is no longer open;
3. Amortization of prepaid or deferred state, local and other income taxes;
4. Reductions for refunds from prior periods not previously reported;
5. Reductions for NOL carrybacks; and
6. Gross receipts taxes.

Do not include:

1. Interest income and expense on tax accounts; report on SO491 (Other Noninterest Income) or SO580 (Other Noninterest Expense); and
2. Any local taxes other than those based on income; report real estate taxes on SO530 (Office Occupancy and Equipment Expense); report franchise and other local taxes on SO580 (Other Noninterest Expense).

SO81: Income (Loss) Before Extraordinary Items and Effects of Accounting Changes

Report the sum of SO60 less SO71.

This line will be automatically computed by the electronic filing software.

EXTRAORDINARY ITEMS, NET OF TAX EFFECT, AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

SO811:

Extraordinary Items:

Extraordinary items are material events and transactions that are unusual and infrequent. **Both of these conditions must exist for an event or transaction to be an extraordinary item.**

To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of the association. An event or transaction beyond the control of management is not automatically considered unusual.

To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Rarely do events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), a government expropriation, or a prohibition under a newly enacted law or regulation.

Include:

1. The tax benefit of preacquisition NOL carryforwards realized in a period subsequent to the loss period (refer to SFAS No. 16, “Prior Period Adjustments”);
2. Prepayment fees and most other gains or losses on the extinguishment of debt (refer to SFAS No. 76, “Extinguishment of Debt”); and
3. Gains on restructuring payables (refer to SFAS No. 15, “Accounting by Debtors and Creditors for Troubled Debt Restructuring”).

Do not include:

1. Adjustments to valuation allowances; report on SO321 (Net Provision for Losses on Interest-Bearing Assets) or SO570 (Net Provision for Losses on Noninterest-Bearing Assets), even if the actual loss occurred in a prior period;
2. Audit adjustments for corrections of accruals; report in the current period on the same data field in Schedule SO that they would have been reported had the accruals been made when incurred. If this causes interest yield or cost of funds to be significantly distorted or causes the amount reported to be negative on a data field that can only contain a positive number, report the adjustment on SO491 (Other Noninterest Income) or SO580 (Other Noninterest Expense);
3. Adjustments for periods for which the cycle is open for amendments to the TFR; refer to the general instructions for the submission of amended reports;
4. Adjustments related to prior interim periods of the reporting association’s current fiscal year; report currently in the appropriate current income or expense data field (*e.g.*, tax adjustments, reported on SO710 or SO720); and
5. Net income (loss) allocable to minority shareholders; report on SO491 (Other Noninterest Income).

Cumulative Effect of Changes in Accounting Principles:

The cumulative effect of changes in accounting principles is the changing from one accepted accounting principle to another accepted accounting principle. It does not include the cumulative effect of changing from an unaccepted accounting principle to a generally accepted accounting principle. This type of change is reported currently in the appropriate income or expense data field, with the exception of adjustments to convert from RAP to GAAP for deferred losses and liquid asset mutual funds, which are reported on SI670 (Other Adjustments).

Report a loss as a negative amount.

NET INCOME (LOSS)

SO91:

Report the sum of SO81 plus SO811.

This line will be automatically computed by the electronic filing software.

SCHEDULE PD — CONSOLIDATED PAST DUE AND NONACCRUAL

Report all loans and leases owned by the reporting savings association that are contractually past due or are in nonaccrual status, regardless of whether such loans are secured or unsecured and regardless of whether such loans are guaranteed by the Government or by others, with the exception of those noted below. Report the entire loan, not simply the amount of the delinquent payment. The balance reported should be the recorded investment after deduction for **specific** valuation allowances. **Recorded investment** is the principal balance, adjusted for charge-offs and unamortized yield adjustments.

Savings associations that service GNMA pools for others (consisting of 1 to 4 family residential mortgage loans insured by the FHA, FmHA, or VA) and that choose to purchase delinquent FHA, FmHA, or VA residential mortgages in foreclosure status from the pool rather than continuing to make monthly advances on them need not report such loans in Schedule PD, provided the process of reimbursement by FHA, FmHA, or VA is proceeding normally.

Assets covered by the FSLIC Resolution Fund, the RTC, or the FDIC on which payments from the borrower are contractually past due or in nonaccrual status are not included in Schedule PD.

PAST DUE

1. Grace periods are not to be taken into account in determining past due status.

2. Loans and lease financing receivables are to be reported as past due when either interest or principal is unpaid in the following circumstances:

   a. **Amortizing closed-end** mortgage loans, closed-end nonmortgage installment loans, and any other loans and lease financing receivables with:

      1) **Payments scheduled monthly** are to be reported as past due when the borrower is in arrears two or more monthly payments of interest and/or principal. For example, a mortgage in accrual status for which the payment is due on the first of the month, is not reported in Schedule PD for March unless both the February and March payments are in arrears.

         A payment is considered past due if either principal or interest is in arrears; for example, if interest is current but principal is in arrears in an amount equal to two or more total monthly payments, the loan should be reported in Schedule PD.

2) **Payments scheduled other than monthly** are to be reported in Schedule PD when one scheduled payment of interest and/or principal is due and unpaid for 30 calendar days or more.

b. **Open-end loans** such as home equity loans, charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the **minimum** payment for two or more billing cycles.

c. **Single payment and demand notes** providing for the payment of interest at stated intervals [*e.g.*, certain construction loans] are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

d. **Single payment notes** providing for the payment of interest at maturity are to be reported as past due after maturity if interest or principal remains unpaid for 30 days or more.

e. **Unplanned overdrafts** are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

Savings associations may use actual days as stated in the schedule headings in lieu of cycles in the calculation of past due. The following is an example of the use of cycles in the preparation of Schedule PD:

Payment Missed	**Actual Days Overdue at Month-end**	**PD Category at End of Month**
Jan 1 (one)	30	Under 30 Days
Feb 1 (two)	58	30 - 89 Days
March 1 (three)	89	30 - 89 Days
April 1 (four)	119	90 Days or More

In the March TFR this loan would be reported in the 30-to-89-day category; and if still delinquent and still held as a loan in June, it would be reported in the over-90-day category.

Restructured loans:

A loan that has been formally restructured so as to be reasonably assured of repayment and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructured loan is well secured and collection under the revised terms is probable. The determination of probability of collection should include consideration of the borrower's sustained historical repayment performance for a reasonable period, which may take into account performance prior to restructuring. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents.

Do not include:

1. Loans on which interest is accrued for record-keeping purposes but not for reporting purposes;
2. Accrued interest and advance payments of borrowers' taxes and insurance unless they have been capitalized to the loan balance; and
3. Deductions for allowances for loan and lease losses (ALLL) or the assumed liability of wrap-around loans applicable to such loans.

which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($250,000 in this example). The savings association has pledged securities with a value of $300,000 to secure these deposits. Only $250,000 of the political subdivision's $350,000 in deposits (the uninsured amount) would be considered "preferred deposits."

In other states, savings associations must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a savings association must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Savings associations participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution.

As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the savings association's uninsured public deposits are protected from loss under the operation of the state program if the savings association fails and, therefore, all of the uninsured public deposits are considered "preferred deposits."

For example, a savings association participating in a state public deposits program has $1,000,000 in public deposits under the program and $700,000 of this amount is uninsured. The savings association's most recent calculation indicates that it must pledge securities with a value of at least $77,000 to the state in order to participate in the state program. The savings association has pledged securities with an actual value of $80,000. The savings association should report the $700,000 in uninsured public deposits as "preferred deposits."

DEPOSIT AND ESCROW DATA FOR DEPOSIT INSURANCE PREMIUM ASSESSMENTS

SI215: Non-interest-bearing Demand Deposits

Report all demand deposits reported on SC710 (Deposits) and SC783 (Escrows). Demand deposits to be reported on this line are defined in FDIC Regulations 329.1, 329.101, and 329.102.

A demand deposit is a non-interest-bearing deposit:

1. That is payable immediately on demand;
2. That is issued with an original maturity or required notice period of less than seven days; or
3. For which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal.

Demand deposits include:

1. Matured time deposits that do not have automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account;
2. Escrow accounts reported on SC783 that meet the definition of demand deposits; and
3. Outstanding checks drawn against zero-balance accounts (including those at Federal Home Loan Banks) that are reported on SC710.

Demand deposits do not include:

1. Money market deposit accounts (MMDAs);
2. NOW accounts that do not meet the three criteria listed above for demand deposits;
3. Deposits held either in branches outside of the territories and possessions of the U.S. or by an Edge or Agreement Subsidiary or by an International Banking Facility (IBF); and

4. Amounts not included in SC710 or SC783, such as outstanding checks drawn against Federal Home Loan Banks that are reported on SI239 and deposits of consolidated subsidiaries that have been eliminated in consolidation and are reported on SI243.

SI239: Outstanding Checks Drawn Against Federal Home Loan Banks and Federal Reserve Banks Not Included in SC710

Report the amount of outstanding checks drawn on, or payable at or through, Federal Home Loan Banks and Federal Reserve Banks, which have been deducted from assets reported on SC110 (Cash and Non-interest-earning Deposits) or SC162 (Interest-earning Deposits in FHLBs).

Include outstanding checks drawn on non-zero-balance accounts only. Outstanding checks drawn on zero-balance accounts or accounts not routinely maintained with sufficient balances to cover checks drawn in the normal course of business are reported on SC710 (Deposits).

Do not report this amount on SI215 (Non-interest-bearing Demand Deposits), as SI239 will be added to SI215 in calculating total demand deposits.

SI240: Deposits in Lifeline Accounts

Savings associations should report zero in this data field until such time as they are notified that the minimum requirements for lifeline accounts have been established by the Federal Reserve Board.

Lifeline accounts are transaction accounts that meet certain minimum requirements to be established by the Federal Reserve Board pursuant to Section 232 of the FDIC Improvement Act of 1991. These accounts will be eligible for a reduced deposit insurance assessment rate.

Deposits of Consolidated Subsidiaries:

Report all deposits and escrows of subsidiaries that are consolidated in Schedule SC where such deposits and escrows are held by the reporting savings association. Include the interest accrued and unpaid on such deposits and escrows.

The deposits, escrows, and accrued interest reported in these data fields have been eliminated in consolidation and are not included in SC710, SC783, or SC763.

If a consolidated subsidiary has escrows held by the reporting savings association, the deposit at the parent savings association is eliminated in consolidation, but the escrow remains a liability and should be reported on SC783. To avoid double counting of these escrows, do not include them on SI243 or SI244. Report only deposits and escrows that have been completely eliminated and are not reported on either SC710 or SC783.

Denominator = at the savings association' option, either (1) the liquidity base at the end of the preceding quarter multiplied by the number of calendar days in the current quarter, or (2) the sum of each calendar day's liquidity base for the preceding quarter.

OTS Regulation 566.1 defines liquidity base as net withdrawable accounts plus short-term borrowings. Net withdrawable accounts are withdrawable accounts less the unpaid balance of loans secured by such accounts (less, at the savings association's option, withdrawable accounts maturing in more than one year). Short-term borrowings are borrowings payable in one year or less.

The following is a list of unpledged assets includable in regulatory liquidity; however, reference must be made to OTS Regulation 566.1(g) for each asset to determine compliance with eligibility criteria:

1. Cash, demand deposits, and time deposits;
2. U.S. Government and Agency securities (including GinnieMae, FannieMae, and FreddieMac mortgage pool securities);
3. State and local obligations with a remaining maturity of two years or less;
4. Federal funds sold, fully collateralized repurchase agreements, bankers acceptances, and commercial paper;
5. Shares in an open-end management investment company (mutual funds) with a portfolio restricted to eligible liquid assets;
6. Corporate debt rated in one of the four highest categories by a nationally recognized rating service with a remaining maturity of three years or less (including corporate bonds and notes, privately issued CMOs, REMICs, and other derivative loan products);
7. FSLIC promissory notes, including those offsetting liabilities and capital instruments;
8. Accrued interest on liquid assets or on assets which would qualify for regulatory liquidity except for their maturity;
9. Certain mortgage-related securities, rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization, that:
    a) Have one year or less remaining until maturity; or
    b) Are subject to a repurchase agreement, put option, right of redemption, or takeout commitment that requires purchase of the securities within one year by a:
        1) capital compliant insured institution;
        2) primary dealer in U. S. securities; or
        3) registered broker dealer;
10. Certain first lien residential mortgage loans that qualify as backing for mortgage-backed securities issued by FannieMae or FreddieMac or guaranteed by GinnieMae, and the mortgage loans either:
    a) Have one year or less remaining until maturity; or
    b) Are subject to a repurchase agreement, put option, right of redemption or takeout commitment that requires purchase of the loans within one year by a:
        1) capital compliant insured institution;
        2) primary dealer in U.S. securities; or
        3) registered broker dealer
11. Assets which would qualify as liquid assets except for their maturity and are hedged at a value equal to or exceeding their book value by a:
    a) Forward commitment to sell the asset;

b) Futures contract;

c) Long put option; or

d) Call option that can be exercised within the period appropriate to qualify as a liquid asset.

The following are not eligible for inclusion in regulatory liquidity:

1. Securities pledged as collateral on a margin account;
2. Securities collateralizing repurchase, resale, dollar-reverse-repurchase, and fixed coupon agreements;
3. Securities pledged for deposits of public units reported on SC710 (Deposits); and
4. Principal and interest custodial cash accounts, such as for FHLMC, FNMA and GNMA, used to effect timely payments.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, and SI583: Actual Thrift Investment Percentage at Month-end

To be a Qualified Thrift Lender (QTL), a savings association must either meet the Home Owners' Loan Act (HOLA) QTL test or the Internal Revenue Service (IRS) tax code Domestic Building and Loan Association (DBLA) test.

If the reporting savings association uses the HOLA QTL test, report the ATIP from the OTS QTL worksheets (OTS Form 1427) for the three months. Because of the field size limitation, if the ATIP exceeds 99.99%, enter 99.99. If the reporting savings association uses the IRS DBLA test, leave lines SI581, 582, and 583 blank.

EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE

The terms used in this item are defined in Federal Reserve Regulation O.

An **"extension of credit"** is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See Section 215.3 of Regulation O.

An **"executive officer"** of the reporting savings association means a person who participates or has authority to participate (other than as a director) in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and (unless excluded by the savings association's board of directors or bylaws) any other subsidiary of that holding company. See Section 215.2(e) of Regulation O.

SCHEDULE SQ — CONSOLIDATED SUPPLEMENTAL QUESTIONS

Indicate whether an activity occurred during the period by placing an “X” in either the “Yes” or “No” column of each question; no question which can be answered with a “yes” or “no” should be left blank. Check “Yes” if there is any doubt as to whether an activity occurred during the quarter. All questions except SQ310 should be completed for the reporting savings association only, and not for its consolidated subsidiaries. Question 310 applies to both the reporting savings association and its consolidated subsidiaries.

SQ100: Did the reporting association acquire any assets through merger with another depository institution?

Check “Yes” only if your institution merged during the quarter with another depository institution. Do not include mergers with your holding company or nondepository affiliates or subsidiaries. If your institution merged with a non-OTS regulated depository institution, report the amount of deposits acquired on CF435.

SQ110: Did the reporting association include in this balance sheet for the first time assets and/or liabilities acquired as a result of a branch or other bulk deposit purchase?

Check “Yes” for any branch or bulk purchase of assets or liabilities. If your institution purchased deposits, report the purchased amount on CF435.

Has there been:

SQ130: a change in control of the association?

Check “Yes” if there has been any change in the power, directly or indirectly, to direct the management or policies of the savings association. Indicate “Yes” if there has been any change in the power to vote 10 percent or more of any class of your institution’s voting securities. Refer to Section 563.181 of the Insurance Regulations for definitions with respect to change in control.

SQ160: a merger accounted for under the purchase method?

Check “Yes” if during the quarter the reporting savings association acquired another depository institution whose assets and liabilities are reported on the reporting savings association’s current TFR using the purchase method of accounting.

Do not check “Yes” for:

1. A change in control in which push-down accounting was used;
2. An acquisition of a subordinate organization; or
3. An acquisition of a branch.

SQ170: If the reporting association restated its balance sheet for the first time this quarter as a result of applying push-down accounting, enter the date of the reorganization (MMDDYYYY).

Report the date (month, day, and year) of the acquisition of the reporting savings association if push-down accounting was applied this quarter. This should be reported during the quarter that push-down accounting is first applied, and should also be entered in subsequent quarters if material adjustments are made. This date should also be reported if push-down adjustments are applied retroactively. For example, if the acquisition took place on December 10, 1997, but the reporting savings association’s balance sheet was restated in February 1998, enter 12101997 on the March 1998 TFR.

SQ270: Reporting association’s fiscal year-end

Enter the month for the savings association’s current fiscal year-end for annual financial statement purposes. In some cases this may not correspond to the tax year-end.

SQ280: Code representing nature of work to be performed by independent public accountants for the current fiscal year

Indicate in this data field the code for the statement below that best describes the level of audit or other attestation work to be performed by an independent public accountant as of the end of the savings association’s current fiscal year. The current fiscal year is the 12-month period which includes the quarter being reported on.

07 We do not plan to have an audit or other attestation work by an independent public accountant.

08 We do not plan to have an audit. However, we do plan to have other attestation work (*i.e.*, review, compilation, or agreed-upon procedures) performed, and reported on, by an independent public accountant.

09 We plan to have an audit of, and receive a report on, only the holding company’s consolidated financial statements by an independent public accountant.

Use this code where plans are for an audit of, and report on:

a. **Only** the holding company’s consolidated financial statements, and therefore

b. **Not** the savings association’s “separate” financial statements.

Code 13 ***Service Corporation***
A service corporation is any entity that satisfies all of the requirements for service corporations in 12 U.S.C. 1464(c)(4)(B) of the Home Owners' Loan Act and OTS Regulation 559.3 and that is designated as a service corporation by the investing savings association.

Code 14 ***Lower-tier Entity Qualifying as a "Subsidiary"***
As defined in OTS Regulation 559.2, a lower-tier entity includes any company in which an operating subsidiary or a service corporation has a direct or indirect ownership interest. A lower-tier entity qualifies as a subsidiary if the entity is controlled directly or indirectly by the reporting savings association. The term "control" is defined in OTS Regulation 574.

Do not include entities that do not meet these criteria; report as Code 15, "Lower-tier Entity Not Qualifying as a 'Subsidiary.'"

Code 15 ***Lower-tier Entity not Qualifying as a "Subsidiary"***
A lower-tier entity (as defined in OTS Regulation 559.2) does not qualify as a subsidiary if it is not controlled directly or indirectly by the reporting savings association. The term "control" is defined in OTS Regulation 574.

CSS100 through CSS103: Type of Business

Report the code that describes the type of activity (or activities) in which the entity engages (maximum of four). The activities reported here should be consistent with the activities listed in filings made to the OTS under OTS Regulation 559 for establishing or acquiring a subordinate organization or conducting new activities through an existing subordinate organization. If more than one activity is listed, report the activity generating the largest revenue first, the second largest revenue second, and so forth. Use the list of preapproved activities contained at OTS Regulation 559.4 as a reference for reporting activity codes.

Code 01 ***Not Used***

Code 02 ***Not Used***

Code 03 ***Issuing Notes, Bonds, Debentures or Other Obligations or Securities***

Code 04 ***Community Development or Charitable Activities***

Code 05 ***Stored Value Instrument Sales***

Code 06 ***Financial advice or consulting***

Code 07 ***Securities Brokerage and Related Investment Advisory Services***

Code 08 ***Software Development and Systems Integration***

Code 09 ***Not Used (See CSS080, Codes 11 and 12 for Operating Subsidiaries)***

Code 10 ***Subsidiary Depository Institution***
A depository institution (*e.g.*, savings association, state savings bank, national bank) that is owned by a savings association or a subsidiary of a savings association, and operated as a subsidiary.

Code 11 ***Not Used (See CSS080, Code 11 for Operating Subsidiaries)***

Code 12 ***Risk-Controlled Arbitrage***

Code 13 ***Real Estate Development and Sales***

Code 14 ***Acquiring Improved Real Estate or Manufactured Homes for Sale or Rental***

Code 15 ***Property Management and Maintenance***

Code 16 ***Mortgage Lending***

Code 17 ***Mortgage Banking***

Code 18 ***Commercial Lending***

Code 19 ***Consumer Lending***

Code 20 ***Insurance Brokerage, Agency***

Code 21 ***Escrow, Trust, and Fiduciary Services***

Code 22 ***Appraisal, Inspection Services***

Code 23 ***EDP, RSU Services***

Code 24 ***Not Used (See Code 99 for Other Activities)***

Code 25 ***Reinsurance***

Code 99 ***Other (Formerly Code 24)***

Use this code only when the activity in which the entity engages does not fit into any of the categories listed above. Report the type of business in CSS115.

CSS110: Identification Number of Subsidiary Depository Institution

If Code 10 is entered on CSS100 through CSS103, report the subsidiary depository institution's OTS docket number. If there is no OTS docket number, report the FDIC certificate number.

CSS115: Other Business Type

If Code 99 is entered on CSS100 through CSS103, describe the type of activity in which the entity engages (narrative limited to twenty spaces).

CSS120: Total Assets

Report the total assets of the entity as of the reporting date. Do not consolidate lower-tier entities. If total assets round to less than one thousand, enter a "1" in CSS120 and a corresponding entry in CSS130 or CSS140.

CSS130: Total Liabilities

Report the total liabilities of the entity as of the reporting date. Do not consolidate lower-tier entities.

CSS140: Total Capital

Report the capital of the entity as of the reporting date. Do not consolidate lower-tier entities.

CSS150: Net Income (Loss) For the Calendar Year

Report the net income (loss) of the entity on a stand-alone basis (*i.e.*, unconsolidated) for the year ending December 31.

SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT

GENERAL INSTRUCTIONS

OTS-regulated savings associations must comply with two overlapping sets of regulatory capital standards, as listed below.

Pursuant to 12 CFR Part 567, "Capital" (FIRREA)

1. Tangible capital: For capital adequacy purposes, the minimum ratio, as a percent of tangible assets, is 1.5%.
2. Core or leverage capital: For capital adequacy purposes, the minimum ratio, as a percent of adjusted total assets, is 3% for savings associations assigned a composite CAMELS rating of "1", and 4% for all other savings associations.
3. Risk-based capital: For capital adequacy purposes, the minimum ratio, as a percent of risk-weighted assets, is 8%.

Pursuant to 12 CFR Part 565, "Prompt Corrective Action" (FDICIA)

4. Tangible equity: To be deemed other than "critically undercapitalized", the minimum ratio, as a percent of tangible assets, is 2%.
5. Tier 1 or leverage capital: To be deemed "adequately capitalized" or "well capitalized", the minimum ratios, as a percent of adjusted total assets, are 4% or 5%, respectively (with an exception, as described in the regulation).
6. Tier 1 risk-based capital: To be deemed "adequately capitalized" or "well capitalized", the minimum ratios, as a percent of risk-weighted assets, are 4% or 6%, respectively.
7. Total risk-based capital: To be deemed "adequately capitalized" or "well capitalized", the minimum ratios, as a percent of risk-weighted assets, are 8% or 10%, respectively.

[Note: The numbers 1 through 7 above are used as references in the following paragraph.]

For purposes of Schedule CCR - Consolidated Capital Requirement, the following conventions have been applied:

- Tangible capital (FIRREA) [See 1 above.]

  This measure is not reported on Schedule CCR, as the minimum ratio is no longer considered a meaningful limitation for most savings associations.

- Tangible equity (FDICIA) [See 4 above.]

The actual tangible equity ratio is reported on CCR840.

- Core or leverage capital (FIRREA) [See 2 above.]
- Tier 1 or leverage capital (FDICIA) [See 5 above.]

These two measurements are treated as one, and referred to as “Tier 1 (core) capital”. The actual ratio is reported on CCR810. Consistent with the minimum ratio to be deemed “adequately capitalized”, the required amount is based on 4%, and is reported on CCR27. The actual amount is reported on CCR20.

- Tier 1 risk-based capital (FDCIA) [See 6 above.]

The actual ratio is reported on CCR830.

- Risk-based capital (FIRREA) [See 3 above.]
- Total risk-based capital (FDICIA) [See 7 above.]

These two measurements are treated as one, and referred to as “total risk-based capital”. The actual ratio is reported on CCR820. Consistent with the minimum ratio to be deemed “adequately capitalized”, the required amount is based on 8%, and is reported on CCR80. The actual amount is reported on CCR39.

All data is generally reported on a consolidated basis for all subsidiaries that a savings association would consolidate under generally accepted accounting principles (GAAP).

The OTS Subsidiary And Equity Investments Rule adopted in December 1996 changed the definition of subsidiary for purposes of the OTS capital rule to the following:

The term **“subsidiary”** means any corporation, partnership, business trust, joint venture, association or similar organization in which a savings association directly or indirectly holds an ownership interest and the assets of which are consolidated with those of the savings association for purposes of reporting under GAAP. Generally these are majority-owned subsidiaries.

This definition does not include ownership interests that were taken in satisfaction of debts previously contracted, provided that the reporting savings association has not held the interest for more than five years or a longer period approved by the OTS.

Investments in entities not constituting subsidiaries under this definition generally are treated as equity investments for capital purposes.

The following represents the treatment of debt and equity investments in subsidiaries and other subordinated organizations in computing regulatory capital:

1. Includable subsidiaries are consolidated in accordance with GAAP.
2. Debt and equity investments in nonincludable subsidiaries are deducted in full (100%) from assets and capital. All previously applicable transition provisions have expired.
3. Nonincludable equity investments in subordinate organizations constituting subsidiaries are deducted fully (100%) in computing total capital for the total risk-based capital standard.

Nonincludable subsidiaries generally include subsidiaries engaged as principal in activities not permissible for a national bank. “Nonincludable” subsidiaries are defined in the instructions for CCR105. A subsidiary of a savings association is deemed “nonincludable” if any of its consolidated assets are “nonincludable.” Nonincludable equity investments include investment in subordinate organizations (not qualifying as subsidiaries) that are engaged in nonincludable activities.

TOTAL RISK-BASED CAPITAL REQUIREMENT

CCR30: Tier 1 (Core) Capital

Enter Tier 1 (core) capital as reported on CCR20.

TIER 2 (SUPPLEMENTARY) CAPITAL

Under the OTS risk-based capital regulations, there are two types of capital: Tier1 (core) capital and Tier 2 (supplementary) capital. Tier 2 (supplementary) capital includes certain specified instruments with characteristics of capital that do not qualify as Tier 1 (core) capital. Tier 2 (supplementary) capital counts towards a savings association's total risk-based capital, up to a maximum of 100% of the savings association's Tier 1 (core) capital.

Tier 2 (supplementary) capital consists of:

1. Permanent instruments not qualifying as Tier 1 (core) capital, which are reported on CCR310 (Qualifying Subordinated Debt and Redeemable Preferred Stock), CCR320 (Capital Certificates), CCR330 (Nonwithdrawable Deposit Accounts Not Reported on CCR130), and CCR340 (Other Equity Instruments);
2. Maturing instruments, which, after adjustments for the limitations described below, are reported on CCR310 (Qualifying Subordinated Debt and Redeemable Preferred Stock), CCR320 (Capital Certificates), CCR330 (Nonwithdrawable Deposit Accounts Not Reported on CCR130), and CCR340 (Other Equity Instruments);
3. Allowances for loan and lease losses (ALLL), which are reported on CCR350 (Allowances for Loan and Lease Losses);
4. Up to 45% of pretax unrealized gains, net of unrealized losses, on available-for-sale equity securities, which are reported on CCR302; and
5. Minority interests in includable subsidiaries consolidated under GAAP that are not eligible for inclusion in Tier 1 (core) Capital on CCR125, provided the minority interest meets the other requirements for Tier 2 (Supplementary) capital and the minority interest is not held by the parent savings association or any subsidiaries or other subordinate organizations owned directly or indirectly by the savings association; such minority interest is reported on CCR340 (Other Equity Instruments).

Maturing Capital Instruments Issued on or Before November 7, 1989

Maturing capital instruments for which an application had been approved by the FHLBB prior to December 5, 1984, that were grandfathered under the prior OTS capital regulation, are also grandfathered under the current OTS regulation and may be included in full in Tier 2 (supplementary) capital until the last year before maturity.

With prior approval of OTS, a savings association may include maturing capital instruments issued on or before November 7, 1989, in Tier 2 (supplementary) capital in accordance with the following procedures applicable to instruments issued after that date.

Maturing Capital Instruments Issued After November 7, 1989

The reporting savings association may elect to include maturing capital instruments issued after November 7, 1989, by choosing one of the following options. However, once either option is elected, the savings association must continue to apply that option for all subsequent issuances of maturing capital instruments for as long as there is a balance outstanding of such issuances. Once such issuances have all been repaid, the savings association may elect the other option for future issuances.

Option 1 The amount included as Tier 2 (supplementary) capital is equal to the outstanding capital instrument multiplied by the applicable percentage from the following amortization schedule:

Years to Maturity	**Percentage Counted as Tier 2 (Supplementary) Capital**
Greater than 5	100%
Greater than 4, but less than or equal to 5	80%
Greater than 3, but less than or equal to 4	60%
Greater than 2, but less than or equal to 3	40%
Greater than 1, but less than or equal to 2	20%
Less than or equal to 1	0%

Option 2 Only the aggregate amount of maturing capital instruments that mature in any one year during the seven years immediately prior to an instrument's maturity that does not exceed 20% of an savings association's capital will qualify as Tier 2 (supplementary) capital. Capital for this purpose is defined as Tier 1 (core) capital plus, without limitation, items included in Tier 2 (supplementary) capital (*i.e.*, general loan and lease valuation allowances are not limited to a percentage of assets; maturing capital instruments are not limited based on maturity dates; and Tier 2 (supplementary) capital is not limited to the amount of Tier 1 (core) capital).

CCR302: Unrealized Gains on Available-for-Sale Equity Securities

Savings associations may include in Tier 2 (supplementary) capital up to 45% of the amount of any pretax unrealized gains, net of any unrealized losses, on available-for-sale **equity** securities included in SC140 (Equity Securities Subject to SFAS No. 115). If losses exceed gains, no amount is reported on this line. When unrealized gains, net of unrealized losses, are reported here and included in supplementary capital, the entire (*i.e.,* 100%) unrealized gains, net of unrealized losses, must be included in assets to risk-weight; in other words, the fair value, not the historical cost of these available-for-sale equity securities must be risk-weighted.

Do not include unrealized gains on available-for-sale **debt** securities or on equity securities in a trading portfolio.

CCR310: Qualifying Subordinated Debt and Redeemable Preferred Stock

Include:

1. Perpetual subordinated debentures and mandatory convertible securities; and
2. Maturing subordinated debentures, mandatory convertible securities, and redeemable preferred stock calculated in accordance with the above instructions.

CCR320: Capital Certificates

Include the following capital certificates that are not included in Tier 1 (core) capital, whether or not there is a outstanding FDIC (FSLIC) note relating to the certificate:

1. Income capital certificates;
2. Permanent income capital certificates;

2. Assets collateralized by U.S. Government securities; report on CCR450 (20% Risk-weight: Other);
3. Mortgage-backed securities on which the reporting savings association has recourse for the underlying loans; the capital requirement on such obligations should follow the standard treatment of recourse obligations.

CCR408: Notes and Obligations of the FDIC

Report notes and obligations of the FDIC that are unconditionally backed by the full faith and credit of the U.S. Government, except for those reported on CCR410.

CCR410: FDIC Covered Assets

Report the portion of assets that is **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. The portion of assets that is not covered by the FDIC (*e.g.*, those included in a deductible) must be placed in a risk-weight category according to the characteristics of the asset. If a deductible under a coverage agreement cannot be assigned to a specific type of asset, the deductible should be placed in the 100% risk-weight category.

Include all investments in subsidiaries and/or equity investments that are fully covered by the FDIC regardless of the percentage of ownership or business activity of the entity in which the investment is made.

CCR415: Other

Report all zero-percent risk-weight assets not included above as defined in OTS Regulation 567.6(a)(1)(i).

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts, which are reported on CCR450 (20% Risk-weight: Other);
2. The book value of paid-in Federal Reserve Bank stock; and
3. That portion of assets not included elsewhere in the 0% risk-weight category directly and unconditionally guaranteed by the U.S. Government or its agencies, or the central government of an OECD country.

CCR420: Total

Report the sum of CCR400 through CCR415.

This line will be automatically computed by the electronic filing software.

CCR40: 0% Risk-weight Total

Report the risk weighted product of all 0% risk-weight assets. This amount will always be zero.

This line will be automatically computed by the electronic filing software.

20% Risk-weight

CCR430: High-quality MBS

Report high-quality mortgage related securities as defined in section 3(a)(41) of the Securities Exchange Act of 1934 and those mortgage-backed securities issued by or fully guaranteed by FNMA and FHLMC.

Include:

1. FNMA mortgage-related securities (including IOs and POs with FNMA guarantees);
2. FHLMC mortgage-related securities (including IOs and POs with FHLMC guarantees);
3. Mortgage-related securities with a AAA or AA rating that meet the criteria of OTS Regulation 567.1; and
4. CMOs and REMICs collateralized by FNMA, FHLMC, GNMA, or AAA or AA rated mortgage-backed securities other than those tranches deemed to have residual characteristics (these are reported on CCR505).

Do not include:

1. Residual classes of CMOs and REMICs; report on CCR505 (100% Risk-weight: All Other Assets);
2. GNMA mortgage pool securities; report on CCR405; or
3. MBSs on which the reporting savings association has recourse for the underlying loans; the capital requirement on such obligations should follow the standard treatment of recourse obligations.

CCR435: Claims on FHLBs

Report all investments in, claims on, and balances due from Federal Home Loan Banks.

Include:

1. Book value of Federal Home Loan Bank stock;
2. Demand, savings, and time deposits with a FHLBank;
3. Securities, bonds, and notes issued by the Federal Home Loan Bank System; and
4. The credit equivalent amount of interest rate contracts (*e.g.*, interest-rate swaps and caps) where the counter party is a Federal Home Loan Bank.

CCR440: General Obligations of State and Local Governments

Report the amount of securities and other general obligations issued by state and local governments.

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

1. Demand deposits and other transaction accounts;
2. Savings deposits;
3. Time certificates;
4. Travelers' checks and other cash equivalents;

3. At the time a loan is placed in the 50% risk-weight category, all principal and interest payments on the loan for the preceding year have been made on a timely basis in accordance with the loan terms (*i.e.*, not 30 days or more past due);
4. The loan is performing and not 90 days or more past due;
5. The loan was made by the savings association in accordance with prudent underwriting standards;
6. The current outstanding loan balance does not exceed 80% (75% for variable rate loans) of the value of the property securing the loan; and
7. For the property's most recent fiscal year, the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 120 percent (115 percent for variable rate loans), or in the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide comparable protection to the savings association.

For purposes of criteria (6) above, the term "value of the property" means, at origination of a loan to purchase a multifamily property: the lower of the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. In cases not involving purchase of a multifamily property (*e.g.*, new loans on existing properties already owned by a borrower), the value of the property is determined by the most current appraisal, or if appropriate, the most current evaluation.

In cases where a borrower refinances a loan on an existing property, instead of complying with criteria (3) and (7) above, a loan may qualify by satisfying the following criteria:

1. For the preceding year all principal and interest payments on the loan being refinanced have been made on a timely basis in accordance with the loan terms (i.e., not 30 days or more past due); and
2. The net income on the property for the preceding year would have supported timely payment of principal and interest on the new loan in accordance with the applicable debt service requirement.

Residential property is defined in OTS Regulation 567.1(z) as houses, condominiums, cooperative units, and manufactured homes. This definition does not include hospitals and nursing homes. Manufactured homes are those subject to HUD regulations under Title VI of the U.S. Code.

Mortgage loans on mixed use properties that are primarily multifamily residential properties are included on this line if the criteria for qualifying multifamily mortgage loans are satisfied.

Grandfathered Qualifying Multifamily Mortgage Loans

Qualifying multifamily mortgage loans entered on this line include multifamily mortgage loans that on March 18, 1994 met the criteria of qualifying multifamily mortgage loans under the OTS capital rule on March 17, 1994 and continue to meet those criteria, namely:

1. The mortgage is secured by an existing property consisting of 5 to 36 dwelling units;
2. The initial loan-to-value ratio is not more that 80%; and
3. The property has had an average annual occupancy rate of 80% or more of total units for the past full year.

CCR470: Other MBS Backed by Qualifying Mortgage Loans

Report mortgage-backed securities, other than high quality mortgage-backed securities reported on CCR430, that are backed by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include IOs, POs, and CMOs (excluding residuals that are backed by qualifying single-family or multifamily residential mortgage loans but are excluded from CCR430 because the security has less than a AA rating. **Residual classes** of mortgage-related securities are reported on CCR505 (100% Risk-weight: All Other Assets).

If securities are backed by **qualifying multifamily residential mortgage loans**, the savings association must receive timely payments of principal and interest in accordance with the terms of the security. Payments generally are considered to be timely if they are not 30 days or more past due.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments whereby the revenues from a stated project (*e.g.*, a toll road) repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in OTS Regulation 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (e.g., interest-rate swaps and caps) where the counter party is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank;
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations; and
3. Qualifying residential construction loans, also referred to as "residential bridge loans", meeting the criteria of 12 CFR 567.1, which generally must satisfy the following criteria:
   a. The loan must be made in accordance with sound lending principles to a builder, who must have substantial equity in the project, for the construction of a 1-4 family residence that is sold to a home purchaser;
   b. The lending thrift institution must obtain sufficient documentation from a permanent lender (which may be the construction lender) demonstrating that: the home buyer intends to purchase the residence; has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence; and has made a substantial earnest money deposit;
   c. The construction loan must not exceed 80 percent of the sales price of the residence; must be secured by a first lien on the lot, residence under construction, and other improvements; must be performing and not more than 90 days past due;
   d. The home purchaser(s) must intend that the home will be owner-occupied; must be an individual(s) and not a business entity or any other entity that is purchasing the home(s) for speculative purposes;
   e. The lending thrift institution must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion. The builder must incur a significant percentage of direct costs (i.e., the actual costs of land, labor, and material) before any drawdown on the loan.

CCR485: Total

Report the sum of CCR460 through CCR480.

This line will be automatically computed by the electronic filing software.

CCR50: 50% Risk-weight Total

Report the risk-weighted product all 50% risk-weight assets (*i.e.*, 50% times CCR485).

This line will be automatically computed by the electronic filing software.

CMR269 and CMR270: Margin

For all balloon loans tied to the index reported in CMR267, calculate the weighted average margin, in basis points, as described in the General Instructions to Schedule CMR, and report the result in CMR269. **For all fully amortizing loans tied to the index reported in CMR268,** calculate the weighted average margin and report the result in CMR270. In calculating the weighted average margin in CMR269 and CMR270, do not include loans that are not tied to the indices reported in CMR267 and CMR268, respectively. For mortgage pool securities, use the net margin (*i.e.*, not including guarantee and servicing fees) in this calculation.

CMR271 and CMR272: Reset Frequency

For all balloon loans tied to the index reported in CMR267, report the coupon reset frequency, in months, in CMR271. **For all fully amortizing loans tied to the index reported in CMR268,** report the reset frequency in CMR272. For loans with accrual rates and payments that reset at different frequencies, report the reset frequency of the accrual rate. If the loans tied to the index reported in CMR267 or CMR268 reset with varying frequencies, calculate a weighted average reset frequency in the same manner as the WARM described in the General Instructions to Schedule CMR, and report them in CMR271 and CMR272, respectively.

Memo: ARMs within 300 b.p. of Lifetime Cap

CMR273 and CMR274: Balances

Report the outstanding balances of all adjustable-rate multifamily and nonresidential mortgages with lifetime interest **rate** caps and for which the coupon is currently 300 basis points or less from the lifetime cap. For mortgage pass-through securities, use the pass-through rate on the security and the net lifetime cap in this determination. Report balances for balloon mortgages in CMR273, and balances for fully amortizing mortgages in CMR274.

CMR275 and CMR276: Weighted Average Distance to Lifetime Cap (basis points)

For the balances reported in CMR273 and CMR274 only, calculate the weighted average difference between the current coupon and the lifetime cap, in basis points, in the same manner as described for the WAC in the General Instructions to Schedule CMR. The weighted average distance to the cap must be between 0 and 300. Report the results for balloon mortgages in CMR275 and the results for fully amortizing mortgages in CMR276.

Multifamily & Nonresidential Mortgage Loans & Securities: Fixed-Rate

CMR281 Through CMR282: Balances

Report the outstanding balance of fixed-rate multifamily and nonresidential mortgages, the pro rata share of the outstanding balances of participations in fixed-rate multifamily and nonresidential mortgages, and the outstanding balances of mortgage securities backed by fixed-rate multifamily or nonresidential mortgages. Report outstanding balances of balloon mortgages in CMR281 and outstanding balances of fully amortizing mortgages in CMR282.

CMR283 and CMR284: Weighted Average Remaining Maturity (WARM)

The WARM for fixed-rate multifamily and nonresidential loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR283 and CMR284. **For combination construction/permanent mortgages,** use the number of months until maturity of the permanent mortgage in this calculation. **For balloon mortgages**, use the number of months until payment of the balloon and report the result in CMR283. **For fully amortizing mortgages**, use the number of months until final maturity, and report the result in CMR284.

CMR285: Remaining Term to Full Amortization

For balloon mortgages only, report the weighted average number of months until the mortgage would be fully amortized were it not for the scheduled balloon payment, in CMR285. For interest-only loans (*i.e.*, loans that do not amortize), use 360 months in this calculation. Do not report this item for fully amortizing loans.

CMR287 and CMR288: Weighted Average Coupon (WAC)

Calculate the WAC as described in the General Instructions to Schedule CMR. Report the WAC for balloon mortgages in CMR287 and the WAC for fully amortizing mortgages in CMR288. For securities backed by multifamily or nonresidential mortgages, use the coupon rate **of the security** (*i.e.*, the pass-through rate) in this calculation.

Optional Supplemental Reporting

Savings associations holding adjustable-rate multifamily and nonresidential mortgages tied to a variety of different indices may wish to report those balances disaggregated by index type in the Optional Supplemental Reporting Section. In addition, loans and securities may be reported separately for both fixed- and adjustable-rate balances. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. For information see the instructions for Optional Supplemental Reporting for Assets/Liabilities.

Construction and Land Loans

Report information on land loans and on the disbursed amount of construction loans secured by single-family dwelling units, multifamily dwelling units, or nonresidential property in CMR291 through CMR298. Include combination construction/permanent mortgages for which the interest rate on the permanent financing has not been set. Do not include combination construction/permanent mortgages whose rate is fixed for the entire term of the mortgage; report them with permanent mortgages in the relevant section of Schedule CMR. Construction loans in process (LIP) are reported in the Off-Balance Sheet section of Schedule CMR.

Construction and Land Loans: Adjustable-Rate

Report the following items for performing adjustable-rate construction and land loans:

CMR291: Balances

Report the outstanding balance of adjustable-rate construction and land loans in CMR291.

CMR293: Weighted Average Remaining Maturity (WARM)

Calculate the WARM as described in the General Instructions to Schedule CMR for adjustable-rate construction and land loans and report the result in CMR293. Calculate the WARM using the lesser of the remaining maturity or the time to rate reset.

CMR295: Rate Index Code

Using the List of Interest Rate Index Codes in Appendix A, determine the code representing the rate index to which the largest percentage of adjustable-rate construction and land loan balances at the reporting savings association are tied, and report it in CMR295. For example, if 60 percent of a savings association's balances were indexed to the prime rate and the remaining 40 percent were tied to the 1-year Treasury rate, the code for the prime rate, 830, would be reported in CMR295.

Contract Codes

All OBS contract positions must be identified by a four digit contract code. A list of codes for each type of contract is provided in Appendix B.

The first two digits of the contract code designate the general type of contract. For example, all codes for optional commitments to originate mortgages begin with the digits “10.” The last two digits of the code designate the specific type of OBS contract within the general type. For example, optional commitments to originate 30-year FRMs are designated by the code “1014.”

OBS contracts for which no contract code is listed in Appendix B (*e.g.*, CMO swaps) should be reported in CMR912 through CMR918. (For further instructions, see “Market Value Estimates of OBS Contracts” in the section entitled “Reporting of Market Value Estimates.”)

Reporting Instructions

Instructions are provided below for each of the ten general types of OBS contracts. Each section begins with a definition of the contracts covered in that section. Guidance is provided on how contracts are to be combined, or aggregated, for reporting purposes. Specific instruction is given on what to report in each of the five columns in CMR801 through CMR880 and examples are provided.

Report all rates as a percent to two decimal places. For example, to report a coupon rate of 7.50%, report 7.50. Report all prices as a percentage of par to two decimal places. For example, to report a price of 102 percent of par, report 102.00. A price of par would be reported as 100.00.

Optional Commitments to Originate Mortgages

An optional commitment to originate a mortgage is an obligation to originate a mortgage loan at a specified interest rate (fixed or adjustable), where the potential borrower faces no substantial penalty for failing to take the loan. Report only those optional commitments to originate for which a specified interest rate (a “rate lock”) is either (a) in effect or (b) has been offered and is currently subject to the borrower’s acceptance.

Commitments to originate are considered “firm” when both the borrower and the lender are **obligated** to close the loan at the interest rate specified. Instructions for reporting firm commitments are provided below.

Aggregation

Report all commitments having the same contract code (see Appendix B for codes) as a single position. For example, report all commitments on 1-month COFI ARMs (code 1002) as a single position, report all commitments on 6-month and 1-year COFI ARMs (code 1004) as a single position, and so forth.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the dollar amount of commitments outstanding in Column 2. For rate-locked loans that have yet to receive credit approval, deduct an amount representing expected credit denials. Do not adjust the reported amount for fallout of approved loans.

Column 3: Maturity or Fees
Report in Column 3 the dollar amount (in thousands) of loan origination and loan discount fees that would be collected if each loan closed. These fees should include compensation for “buy-ups” or “buy-downs.” (Do not

include any other fees collected in the loan origination process, such as application, appraisal, credit, and title fees.)

Column 4: Price/Rate #1
Report in Column 4 the weighted average coupon (WAC) of outstanding commitments. Refer to the calculation of the WAC in the General Instructions to Schedule CMR.

Column 5: Price/Rate #2 (Optional)
Reporting this information is optional for all savings associations. Report in Column 5 the percentage of optional commitments (by dollar balances), outstanding as of the end of the previous quarter, that closed during the quarter. For example, assume a savings association reports $120 million of optional commitments on 30-year fixed-rate mortgages, as of June 30. Of the $100 million of optional commitments that it reported in the previous quarter's report (*i.e.*, the report for the quarter ending March 31) $75 million closed during the quarter. This savings association would report 75.00 [equal to ($75 million/$100 million) x 100] in Column 5 for the quarter ending June 30.

OTS intends to use this information to develop fallout rate estimates for savings associations that report this data. These estimates would be used by the OTS Model to estimate the interest rate sensitivity of those savings associations' mortgage pipelines.

Savings associations that choose not to report this information should leave this cell blank; the OTS Model will use national fallout rate estimates to estimate the market value of the mortgage pipelines of such savings associations.

Examples:

Position 1: The savings association has $25 million of optional commitments to originate 30-year FRMs. The WAC for these commitments is 8.67%. The savings association would collect loan origination and loan discount fees of $560,000 if all of the loans in this position closed. Sixty-five percent of the optional commitments outstanding at the end of the prior quarter closed.

Position 2: The savings association has $5 million and $10 million of optional commitments to originate 6-month and 1-year COFI ARMs, respectively. (These positions are combined for reporting purposes because they are reported under the same contract code.) The respective WACs on these commitments are 7.10% and 7.40%, and loan origination and loan discount fees to be collected total $420,000. The savings association chooses not to report in column 5.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	1014	25 000	560	8.67	65.00
Position 2	1004	15 000	420	7.30	

Firm Commitments to Purchase, Sell, or Originate Mortgages

Firm commitments to purchase or sell mortgages are agreements to purchase or sell mortgage loans, MBS, or mortgage derivative products at a specified price on a specified date. Firm commitments to originate mortgages are binding obligations to provide a specified amount of a mortgage loan at a specified interest rate (fixed or adjustable). Commitments to originate mortgages should be considered "firm" only if the borrower is obligated